IOWA FINANCE AUTHORITY

PERFORMANCE REPORT

Performance Results Achieved

for Fiscal Year 2004

TABLE OF CONTENTS

*SECTION PAGE*

**INTRODUCTION** 1

# AGENCY OVERVIEW 2

**STRATEGIC PLAN RESULTS** 5

**PERFORMANCE PLAN RESULTS**

Core Function: Housing 6

 Services/Products/Activities 7

Core Function: Community and Economic Development 12

 Services/Products/Activities 13

Core Function: Title Guaranty 16

 Services/Products/Activities 17

Core Function: Resource Management 19

 Services/Products/Activities 20

Core Function: State Revolving Fund 20

**AGENCY CONTACTS** 29

**APPENDIX** 30

INTRODUCTION

On behalf of the board and staff of the Iowa Finance Authority, I am pleased to present this agency performance report for Fiscal Year 2004. 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).

IFA adopted its Strategic Plan in 2004. Clarifying our agency mission, vision and guiding principles was a worthwhile process, and it is equally gratifying to review the results we have been able to accomplish so far. This was a new approach for us, and there is clearly opportunity for continued improvement. But our FY05 Performance Plan reflects a better appreciation for performance management, and I am confident our FY05 Performance Report will as well.

Many of the measures examined in this report relate to an IFA strategic goal of securing an AA issuer rating of the agency in FY04. We accomplished this major achievement just a couple months behind schedule – Standard & Poor’s issued an AA- rating for IFA in September 2004. Only eight state housing finance agencies have a higher rating than AA-, and IFA is the smallest agency to be rated so high. This rating reflects IFA’s asset base, financial performance, capital adequacy and management. Securing such a strong rating will open new doors for IFA with securities, lenders and investors.

No report on the year’s performance would be complete without mentioning prestigious national recognition IFA received. I am exceptionally proud that in FY04, IFA was awarded two Awards for Program Excellence from the National Council of State Housing Agencies, our national professional association. The NCSHA Awards for Program Excellence honor state housing agencies for their development and implementation of outstanding public purpose programs and projects. The competition attracts the most innovative programs serving low-income and underserved people and the most effective uses of communications to publicize and promote affordable housing.

In the category of Multifamily Housing Production, IFA received the award for our Multifamily Preservation Loan Program. In the category of communications, we received the award for our *Consumer Guide to Better Borrowing Practices*, a brochure we published as the lead agency for the Community Lender Partnership Initiative. IFA was one of only four states to receive multiple awards in the 2003 NCSHA awards competition.

IFA’s accomplishments during the past fiscal year would not have been possible without the support of Governor Tom Vilsack, Lt. Governor Sally Pederson and members of the Iowa Legislature and the involvement of our many valuable partners in both the public and private sectors. We are grateful to all those individuals and organizations who help us achieve our mission, and we look forward to continuing our work with them in the future.

Sincerely,

Michael L. Tramontina

Executive Director

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 administrative support to the agency.

*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 FY04:

The *FirstHome Program* provides affordable mortgage financing to low- and moderate-income first-time homebuyers across the state. IFA issues tax-exempt mortgage revenue bonds to fund the program. Mortgages are provided to borrowers through more than 400 participating lenders. In FY04, IFA made 1,810 *FirstHome* loans totaling nearly $128 million.

The *FirstHome Plus Program* provides grants of up to $2,500 to assist qualified *FirstHome* borrowers with down payment and closing costs. The program is funded with surplus revenue from the Title Guaranty Division. In FY04, IFA awarded nearly $2 million in *FirstHome Plus* grants to 1,396 homebuyers.

The *Low Income Housing Tax Credit Program* provides federal tax credits to developers, who sell the credits to investors to generate equity for the construction or rehabilitation of affordable rental housing. In FY04, IFA awarded $6 million in tax credits for 790 units in 20 projects in 14 communities.

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 FY04, IFA closed four loans totaling more than $3 million.

The *Housing Assistance Fund* is a flexible program providing grants and loans for a variety of affordable housing activities. In FY04, this included $466,000 in transitional housing grants to three nonprofit housing providers, creating 33 new units of transitional housing; $250,000 to Habitat for Humanity of Iowa for no-interest loans to 10 affiliates for self-help mortgages; $150,000 in capacity-building grants to Houses, Inc. to develop 81 units for people with disabilities over three years; $150,000 Individual Development Account grant to the Institute for Social and Economic Development for down payment assistance for 300 extremely low-income homebuyers; $125,000 grant to the Iowa Able Foundation to match a U.S. Department of Education grant for home modifications and assistive technology for people with disabilities; $50,000 grant to the Iowa Coalition for Housing the Homeless for technical assistance to transitional housing providers; and $8,000 in grants to fund internships at four nonprofit affordable housing organizations.

The *Single Family Construction Loan Program* provides low-interest construction loans to eligible nonprofit and for-profit housing developers for new construction or acquisition/ rehabilitation of affordable, owner-occupied, single-family homes. In FY04, IFA loaned $324,600 for 11 homes in three 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 FY04, IFA awarded $1.225 million to nine local trust funds and $550,000 to three project-based programs.

The *Iowa Council on Homelessness* is operated out of IFA and serves as the coordination point for all of the state’s homelessness programs, pursuant to Executive Order 33. In FY04, the Council commissioned and secured funding for a statewide study on the causes of homelessness and participated in activities raising public awareness about homelessness.

The *Main Street Mortgage Loan Program* provides low-interest loans to Iowa Main Street communities for downtown infill and upper-story rehabilitation. In FY04, IFA loaned $525,000 for rehabilitation projects in three Main Street communities.

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 245 properties providing affordable housing to 12,201 low-income Iowans in 75 counties. In FY04, IFA earned nearly $1.8 million in administrative fees and $900,000 in incentive fees from HUD.

IFA operates several other *Federal Housing Programs.* In FY04, IFA closed its Rural Home Building Initiative Program, funded with a $600,000 HUD Rural Housing and Economic Development grant. IFA provided $200,000 in matching funds to RHBI, through which 68 homes and prepared sites for homes were completed for low- and moderate-income families all across Iowa. IFA also provided matching funds of $120,000 for a $1.37 million Housing Opportunities for Persons with AIDS competitive grant from HUD. In cooperation with the Iowa Coalition for Housing and the Homeless, funds are distributed through six nonprofit housing agencies serving people in 79 counties. In FY04, 161 Iowans living with HIV/AIDS received rental assistance.

The Economic Development Loan Program furthers the development and expansion of business, nonprofit organizations and housing within Iowa. IFA issues tax-exempt bonds, the proceeds of which are loaned to borrowers to finance qualified projects. The bonds are limited obligations of IFA, payable solely from the revenue of the borrower. In FY04, IFA issued $177.4 million in bonds for six projects, including five retirement communities with sites in nine cities across Iowa.

*Title Guaranty* is a self-sustaining mechanism to guarantee title to real property. The program facilitates mortgage lender participation in the secondary market and adds to the integrity of the land title transfer system. In FY04, IFA’s Title Guaranty Division had a record-breaking year, with 62,149 certificates issued, covering more than $6.7 billion worth of Iowa’s real estate. Premiums totaled $6.85 million, allowing the transfer of $4.9 million to IFA for affordable housing activities.

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.

**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.

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

**Name:** Housing

**Description:** Provide opportunities for Iowans to obtain and maintain safe, affordable and accessible housing.

**Why we are doing this:** Safe, affordable and accessible housing is a basic human need. Good housing promotes strong families and communities and helps Iowa’s economy.

**What we are doing to achieve results:**

* Developing multifamily lending program to increase supply of affordable rental units
* Increasing outreach to potential first-time homebuyers from underserved markets
* Encouraging the development of affordable housing units for people with disabilities
* Operating a statewide housing trust fund

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Affordability of housing for persons for low- and moderate-income housing***Performance Target:***Establish baseline in FY04***Data Sources****:* U.S. Census Bureau American Community Survey (2003) |  |  |

 |
| **Data reliability:** The U.S. Census Bureau American Community Survey ranks states on median monthly housing costs. The ranking has a confidence level of 90 percent. For renter-occupied housing, Iowa ranks 13th of 51 for lowest monthly housing costs. For owner-occupied housing, Iowa ranks 9th of 51 for lowest monthly housing cost.  |
| **Why we are using this measure:** Iowa’s ranking among states for median monthly housing costs is consistently in the lowest quartile. Maintaining that ranking will serve as a baseline measure.  |
| **What was achieved:** Baseline measure established. |
| **Analysis of results:** The performance target of establishing a baseline measure was achieved. The measure will be useful as a benchmark in future years. |
| **Factors affecting results:** None |

## SERVICES/PRODUCTS/ACTIVITIES

**Name:** Multifamily Loan Program

**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.

**What we are doing to achieve results:**

* Identified funding sources
* Developed underwriting criteria
* Solicited stakeholder comments through public hearing
* Implemented administrative rules
* Established plan to market program availability to potential borrowers

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Loans outstanding***Performance Target:***$15 million in loans***Data Source****:* IFA multifamily loan portfolio |  |  |

 |

|  |
| --- |
| **Data reliability:** IFA’s multifamily 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:** The volume of loans outstanding shows IFA’s progress toward a strategic goal of $40 million in loans. |
| **What was achieved:** In FY03, IFA loaned $6.59 million to preserve 337 housing units. In FY04, IFA loaned another $3.01 million, for total loans of $9.6 million in the first two years of the program. |
| **Analysis of results:** The Multifamily Loan Program is a new program. It was originally funded by assets recovered from the now defunct Iowa Housing Corporation, and initially focused only on preservation of affordable rental units. Late in FY04, the program rules were amended to allow new construction, and marketing efforts were initiated. It is anticipated these efforts will result in more rapid growth of the program over the next two years. Another aspect of this performance target was to sell loans in the secondary market; that has not yet happened, but plans are in place to achieve this next step. |
| **Factors affecting results:** IFA has not yet secured Risk Share approval from HUD, which will be essential to expansion of the program. Also pending is board approval of resolution for a new multifamily indenture. Program staff is still exploring the possibility of refinancing HUD Section 202 projects.  |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** Homeownership Program

**Description:** IFA’s *FirstHome* program helps qualified borrowers obtain a below-market interest rate on mortgage loans.

**Why we are doing this:** Over the past 25 years, IFA has helped more than 50,000 Iowans purchase a home through this successful public-private partnership, but rates of homeownership among racial/ethnic groups have remained disproportionately low.

**What we are doing to achieve results:**

* Partnered with Iowa Civil Rights Commission to provide homebuyer education
* Published *FirstHome* marketing materials in seven different languages
* Increased *FirstHome* advertising through participating lender co-op program
* Participated in ethnic festivals and community events
* Supported individual development account and equity equivalent programs

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Number of minority *FirstHome* borrowers***Performance Target:***200 minority borrowers***Data Source****:* *FirstHome* master servicer demographic report |  |  |

 |
| **Data reliability:** IFA’s master servicer for the *FirstHome* program maintains loan files for every borrower and provides an annual demographic report that includes an analysis of the race/ethnicity of *FirstHome* borrowers.  |
| **Why we are using this measure:** This measure tracks IFA’s progress toward increasing the number of minority *FirstHome* borrows. |
| **What was achieved:** In FY04, IFA made *FirstHome* loans to 70 borrowers who identified themselves as belonging to a racial/ethnic minority group.  |
| **Analysis of results:** The number of minority borrowers fell far short of target. Efforts to bolster progress are underway, with the hiring of a bilingual *FirstHome* marketing specialist, increasedcooperative advertising spending and procurement of an independent, professional market research firm to assist with the development of a marketing plan. Additionally, IFA is working to increase minority homeownership through other programs, including individual development accounts and equity equivalent programs supported through its Housing Assistance Fund. |
| **Factors affecting results:** There is a natural lag time between a potential borrower receiving homebuyer education and proceeding to purchase a home, because many potential homebuyers must establish or repair credit, save for a down payment, identify a neighborhood in which to live and find a house. Also, many of IFA’s participating lenders promote their own institution’s mortgage products to minority borrowers rather than *FirstHome*, because those products provide the lender with federal Community Reinvestment Act credit.  |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** Housing for People with Disabilities

**Description:** IFA provides funding through various state and federal programs for housing units that are accessible and available to people with disabilities.

**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 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 for people with disabilities
* Promoted homeownership by disabled holders of HUD Section 8 housing vouchers
* Implemented State Housing Trust Fund
* Provided funding for Iowa Able Foundation home modification loan program
* Established affordable assisted living and service-enriched housing set-asides in Low Income Housing Tax Credit program

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Number of housing units for people with disabilities.***Performance Target****:*Develop or preserve 250 units***Data Source****:* IFA  |  |  |

 |
| **Data reliability:** The administrative assistant to IFA’s Director of Housing maintains a spreadsheet of housing units for people with disabilities created or preserved through various programs operated by state and nonprofit agencies. The data requires agencies to report the units, and since this is a new process there may be slight under-reporting or over-reporting. |
| **Why we are using this measure:** The Vilsack-Pederson administration set a goal of 1,000 new or preserved units of housing for people with disabilities by the end of their second term, which amounts to 250 units each year. |
| **What was achieved:** IFA surpassed the goal of 250 units by 130 units in FY04. |
| **Analysis of results:** IFA and partner agencies are on target to achieve administration goal of 1,000 new or preserved units  |
| **Factors Affecting Results:** Lt. Governor Pederson conducted two state summits on housing for people with disabilities, creating awareness of the goal and enlisting partners for achieving results. Nearly 40 percent of the 380 units represent those preserved with rental assistance provided through Housing Opportunities for Persons with AIDS/HIV. The next highest number achieved is the 138 units being built or rehabilitated through the Low Income Housing Tax Credit affordable assisted living and service-enriched set-asides.  |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** 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 Measure****:*Percentage of base and incentive fees received***Performance Target:***100 percent***Data Source****:* U.S. Department of Housing and Urban Development |  |  |

 |
| **Data reliability:** Data reflects 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 contract with HUD. IFA receives incentive fees for meeting certain quality requirements.  |
| **What was achieved:** IFA received 100 percent of allowed Section 8 base fees and incentive fees.  |
| **Analysis of results:** IFA met the 100 percent performance target.  |
| **Factors affecting results:** IFA also took a disincentive fee of $9,594 in May 2004. This fee was imposed by HUD for IFA’s failure to release Section 8 Housing Assistance Payment funds to owners as required in the Annual Contributions Contract (“100 percent of monthly vouchers are processed so monthly payment to owner is sent no earlier than the first calendar day of the month and no later than the first business day of the month”). In March 2004, IFA senior management authorized implementation of flexible work weeks, allowing IFA staff, with management approval, to work longer shifts to allow for days off in the same pay period. IFA received funds from HUD for the May 2004 payments in late April 2004. Funds are typically receipted and immediately transferred to the owner account for payment. The timing of this payment cycle coincided with the flex time off schedule for an IFA accounting employee; consequently, IFA missed payment target by one business day. This situation resulted in the accounting team revisiting policies relating to owner payments and designating backup personnel to provide support to the Section 8 division to prevent future disincentives.  |

## CORE FUNCTION

**Na****me:** Community and Economic Development

**Description:** IFA provides low-cost financing to Iowa communities through the Main Street Mortgage Loan Program and the Economic Development Loan Program.

**Why we are doing this:** Low-cost loans help communities complete construction and rehabilitation projects that achieve local community and economic development goals. Fees generated by issuing bonds and making loans provide additional revenue to IFA.

**What we're doing to achieve results:** Expanded marketing efforts

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Amount of low-cost financing***Performance Target:***$150 million in new Economic Development Loans***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** IFA’s financial statements have been audited by KPMG LLP, an independent auditor. |
| **Why we are using this measure:** The volume of Economic Development loans reflects IFA’s progress in providing low-cost financing to Iowa communities.  |
| **What was achieved:** In FY04, IFA made $177,365,000 in Economic Development loans. |
| **Analysis of results:** IFA surpassed its target of $150 million in new Economic Development loans. |
| **Factors affecting results:** None |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** Main Street Mortgage Loan Program

**Description:** IFA provides low-cost financing to Iowa Main Street communities for downtown infill and upper story rehabilitation construction projects.

**Why we are doing this:** Main Street Iowa is a valuable program helping preserve the downtown areas of many Iowa communities. The Main Street Mortgage Loan Program provides alternative gap financing to further the development and preservation goals of Main Street communities.

**What we are doing to achieve results:**

* Transferred program administration to housing division
* Expanded marketing efforts

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Amount of low-cost financing***Performance Target****:*$1 million in new Main Street loans***Data Source****:* IFA  |  |  |

 |
| **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 made $525,000 in Main Street Mortgage loans in FY04. |
| **Analysis of results:** IFA fell short of the performance target of $1 million loans.  |
| **Factors Affecting Results:** In FY04, the IFA staff person who oversees the Main Street Mortgage Loan program took on responsibility for redesign of another major IFA program, the State Revolving Fund. Main Street Mortgage Loan Program operations have been transferred to IFA’s housing staff and marketing efforts will be increased in FY05.  |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** Community Development Financing Programs

**Description:** IFA issues bonds and provides low-cost loans to communities and nonprofit entities for eligible purposes.

**Why we are doing this:** Low-cost loans help communities complete construction and rehabilitation projects that achieve local community and economic development goals. Fees generated by issuing bonds and making loans provide additional revenue to IFA.

**What we are doing to achieve results:** Performed capital adequacy study.

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Fees generated***Performance Target****:*Increase fees generated by 10 percent***Data Source****:* IFA  |  |  |

 |
| **Data reliability:** IFA’s financial statements have been audited by KPMG LLP, an independent auditor. |
| **Why we are using this measure:** The amount of fees generated reflects revenues received by IFA for community development lending. |
| **What was achieved:** IFA earned $126,530 in fees from Main Street loans, Economic Development loans and Private Activity Bond Cap applications in FY04, $29,470 less than fees received in FY03. |
| **Analysis of results:** IFA fell short of the performance target of increasing fees generated by 10 percent.  |
| **Factors Affecting Results:** IFA received fewer applications for community development financing programs in FY04, due to an economic slowdown and soft housing market.  |

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Number of conduit issues***Performance Target****:*Increase the number of conduit bond issues by 10 percent***Data Source****:* IFA  |  |  |

 |
| **Data reliability:** IFA’s financial statements have been audited by KPMG LLP, an independent auditor. |
| **Why we are using this measure:** The number of conduit bond issues reflects use of IFA’s economic development programs. |
| **What was achieved:** IFA issued bonds for six projects in FY04, 11 fewer than in FY03. |
| **Analysis of results:** IFA fell short of the performance target.  |
| **Factors Affecting Results:** IFA received fewer applications for community development financing programs in FY04, due to an economic slowdown and soft housing market.  |

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Number of communities served***Performance Target****:*Increase the number of communities served by 10 percent***Data Source****:* IFA  |  |  |

 |
| **Data reliability:** IFA’s financial statements have been audited by KPMG LLP, an independent auditor. |
| **Why we are using this measure:** The number of communities served by IFA community development lending reflects the programs’ reach throughout the state. |
| **What was achieved:** In FY04, the six conduit bond issues resulted in projects in 11 communities, 13 fewer than in FY03. |
| **Analysis of results:** IFA fell short of the performance target of increasing the number of communities served by 10 percent.  |
| **Factors Affecting Results:** IFA received fewer applications for community development financing programs in FY04, due to an economic slowdown and soft housing market.  |

## CORE FUNCTION

**Name:** Title Guaranty

**Description:** IFA provides a low-cost mechanism to guarantee title to real property.

**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're doing to achieve results:**

* Expanded marketing efforts
* Added staff
* Completed Zoom training and business process review to increase efficiencies

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Gross revenues***Performance Target:***Maintain 80 percent of FY03 revenues***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** IFA’s financial statements have been audited by KPMG LLP, an independent auditor. |
| **Why we are using this measure:** Title Guaranty revenue reflects the division’s productivity.  |
| **What was achieved:** In FY04, Title Guaranty had another record-breaking year, collecting nearly $6.85 million in gross premium revenues, an 18 percent increase over FY03. |
| **Analysis of results:** TGD surpassed the performance target of maintaining 80 percent of FY03 revenues. |
| **Factors affecting results:** Low interest rates continued to spur high rates of home purchasing and mortgage refinancing, generating increased TGD revenues. |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** Title Guaranty Customer Service

**Description:** TGD’s customer service professionals help attorneys, lenders and abstractors complete and submit the documents necessary to process Title Guaranty certificates.

**Why we are doing this:** TGD’s success relies on the provision of excellent customer service to program users.

**What we are doing to achieve results:** Seven staff members participated in Zoom training to improve customer service and certificate processing.

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Expand customer service***Performance Target:***Two additional employees***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** IFA’s personnel officer maintains an accurate count of agency FTEs by division. |
| **Why we are using this measure:** Having sufficient employees to deliver quality customer service ensures continued program growth. |
| **What was achieved:** One additional staff member was hired in FY04. |
| **Analysis of results:** TGD fell short of the target of two additional employees, but plans are in place to hire the additional employee in FY05.  |
| **Factors affecting results:** The process of securing a new FTE and selecting an employee to fill the position is time consuming. |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** TGD Transfers to IFA Housing Programs

**Description:** TGD transfers its surplus revenues to IFA to be used for affordable housing programs. Since TGD was created, nearly $33.8 million has been transferred to IFA for affordable housing activities.

**Why we are doing this:** TGD transfers are an important source of revenue for IFA programs, especially for *FirstHome Plus* down payment and closing cost assistance grants.

**What we are doing to achieve results:** Seven staff members participated in Zoom training to improve customer service and certificate processing.

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Dollars provided to housing programs***Performance Target:***Maintain 80 percent of FY03 transfers***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** IFA’s financial statements have been audited by KPMG LLP, an independent auditor. |
| **Why we are using this measure:** Dollars transferred from TGD to IFA reflect both the continued strength of TGD operations and support for affordable housing activities.  |
| **What was achieved:** In FY04, TGD transferred $4.9 million to IFA for affordable housing programs, nearly 26 percent more than in FY03. |
| **Analysis of results:** TGD far surpassed performance target of maintaining 80 percent of FY03 transfers.  |
| **Factors affecting results:** Low interest rates continued to spur high rates of home purchasing and mortgage refinancing, generating increased TGD revenues and thus increased availability of funds to transfer to IFA for affordable housing programs. |

**CORE FUNCTION**

**Name:** Resource Management

**Description:** IFA provides timely and accurate services and infrastructural needs to agency staff, housing agencies partners and other state agencies.

**Why we are doing this:** Resource management provides IFA staff members the tools they need to do their jobs well and provides stakeholders and customers the information they need to work with IFA.

**What we are doing to achieve results:** Reviewing business processe to ensure optimal efficiencies.

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Business process review***Performance Target:***Review all business processes over the next four years.***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** IFA’s Administration Director maintains a current database of business process review projects. |
| **Why we are using this measure:** Reviewing business processes helps ensure efficient deployment of IFA resources.  |
| **What was achieved:** Five business processes were reviewed in FY04 resulting in the following: (1) accounting department reorganized staff around indentures rather than task; (2) Low Income Housing Tax Credit compliance reporting was matched with an online compliance module; (3) new module for Section 8 claims software significantly reduced time spent manually processing claims and (4) Zoom training of seven staff members resulted in a reduction in the backlog of Title Guaranty certificates to be processed. |
| **Analysis of results:** Three business processes remain under review: (1) rent subsidy payment process; (2) new Title Guaranty database system and online application and (3) *FirstHome* internal reporting procedures. |
| **Factors affecting results:** This target was too broad; it is nearly impossible to identify ALL business processes in an agency that provides dozens of programs. |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** Issuer Credit Rating

**Description:** An issuer credit rating analyzes and reflects an 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, which will help the agency expand programming.

**What we are doing to achieve results:**

* Completed capital adequacy study
* Improved financial reports
* Prepared rater presentation on state economy and agency history, programs and financials

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Secure issuer credit rating of AA- to AA+***Performance Target:***Agency rating project 100 percent complete by June 30, 2004***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** This data is an estimate of when key components in the agency rating project were completed. |
| **Why we are using this measure:** This measure reflects monthly progress toward achieving a deadline.  |
| **What was achieved:** The agency rating project was nearly complete by June 30, 2004. The actual rating (AA- from Standard & Poor’s) was received September 1, 2004. |
| **Analysis of results:** While project completion was slightly delayed, securing an AA- rating was a tremendous accomplishment. Only eight state housing finance agencies have a higher rating than AA-, and IFA is the smallest agency to be rated so high. |
| **Factors affecting results:** Many staff members involved with this project had commitments to other projects at the same time. |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** Financial Audit

**Description:** The annual audit is a complete review of IFA financial statements and other records by an independent auditor.

**Why we are doing this:** We have a fiduciary responsibility to investors, funders and stakeholders to show a thorough accounting of how IFA is using its resources.

**What we are doing to achieve results:**

* Streamlined accounting processes and procedures
* Established new timeline and checklist for audit preparation

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Timeliness of audit***Performance Target:***100 percent of audit work papers and preparation completed by September 30***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** IFA Board minutes document when the audit was completed. |
| **Why we are using this measure:** Measuring the completion of preparation work that must be done before the audit helps ensure the audit is completed in a timely manner.  |
| **What was achieved:** A timely audit was available for IFA Board approval and review by the public. |
| **Analysis of results:** IFA met the performance target of audit work papers and preparation completed by September 30.  |
| **Factors affecting results:** None |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** Agency Budget

**Description:** The IFA budget details how agency resources will be used in the coming fiscal year.

**Why we are doing this:** A budget is a tool for planning and organizing agency financial resources in a way that reflects agency priorities and objectives.

**What we are doing to achieve results:**

* Started the budget process earlier
* Involved greater participation from division managers
* Improved budget presentation format to make it easier to understand

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Timeliness of budget***Performance Target:***100 percent of all budget documents completed for approval at June IFA board meeting***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** IFA Board minutes document the budget was approved at the June 2004 board meeting in Dubuque. |
| **Why we are using this measure:**  It is important to have the budget in place at the beginning of the fiscal year (July 1), which means all budget documents must be prepared in advance of the June IFA Board meeting.  |
| **What was achieved:** All board documents were prepared in time to be reviewed and acted on by the IFA Board in June. |
| **Analysis of results:** IFA achieved the target of 100 percent of budget documents completed for approval at the June board meeting.  |
| **Factors affecting results:** None |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** Network Resources

**Description:** Network resources include staff personal computers, printers, servers, routers, e-mail and Internet access.

**Why we are doing this:** Information technology provides IFA staff members with the tools they need to do their job 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 Measure****:*Percentage of time network resources available***Performance Target:***95 percent uptime of network devices***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** The IFA Administration Director maintains a spreadsheet showing network resources available and causes for network downtime. Time is rounded to the nearest quarter hour. |
| **Why we are using this measure:**  The percentage of time network resources are available reflects information technology management. |
| **What was achieved:** IFA network resources were available 99.21 percent of the time in FY04. The longest time the network was down was when the “Blaster” and “So Big” viruses literally took down the state’s Internet access when the ICN was flooded with denial of service requests as the viruses flooded the state network. Due to careful planning by IFA’s information technology staff, IFA’s network was not heavily infected; only a few personal computers were hit. IFA was able to offer services to other agencies as each desktop within state government was checked. IFA reported to ICN that its network was free and clear within six hours of the ICN request, well ahead of many state agencies. |
| **Analysis of results:** IFA surpassed performance target of 95 percent uptime of network devices. |
| **Factors affecting results:** None |

**SERVICES/PRODUCTS/ACTIVITIES**

**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

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Timeliness of performance evaluations***Performance Target:***100 percent performance evaluations given within prescribed timeframes***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** IFA’s Administration Director maintains the schedule for 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:** Only 40 percent of IFA employee performance evaluations were completed on time in FY04. |
| **Analysis of results:** IFA fell short of the target of 100 percent completion of performance evaluations. |
| **Factors affecting results:** Implementation of the IPP forms and use of the agency performance plan in the employee evaluation process negatively impacted management’s ability to complete evaluations in a timely manner. |

**SERVICES/PRODUCTS/ACTIVITIES**

**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, control costs and reduce.

**What we are doing to achieve results:** IFA implemented new purchasing processes in FY04, including a purchase request form requiring management approval.

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Timeliness of processing purchase requests***Performance Target:***100 percent of purchase orders processed within four days of receipt***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** The IFA Administration Director maintains a spreadsheet tracking the interval between purchase request receipt and approval. Data is only available from May 1, 2004 (when the new process began). |
| **Why we are using this measure:**  The timeliness of processing purchase requests reflects the efficiency of procedures for providing essential equipment and supplies. |
| **What was achieved:** For the two months following implementation of the new purchasing process, 100 percent of purchase orders were processed within four business days of receipt. |
| **Analysis of results:** The new purchasing process not only ensured timeliness, it also resulted in a significant reduction in the dollars spent on office supplies. |
| **Factors affecting results:** New process was not implemented until late in the fiscal year. |

**SERVICES/PRODUCTS/ACTIVITIES**

**Name:** Database and Automation

**Description:** IFA

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

**What we are doing to achieve results:** Implemented new process for IFA staff members to request review of existing systems and to track design and production of new systems.

|  |  |  |  |
| --- | --- | --- | --- |
| ***Results***

|  |  |  |
| --- | --- | --- |
| ***Performance Measure****:*Timeliness of providing database and automation tools to agency staff***Performance Target:***Four new or supplemental systems into production by end of FY04***Data Sources****:* IFA |  |  |

 |
| **Data reliability:** IFA’s Administration Director maintains spreadsheet of database and automation systems and the progress of putting new systems into production. |
| **Why we are using this measure:**  Timeliness of providing database and automation tools to agency staff reflects IFA’s commitment to improving communications with customers and stakeholders and delivery of services and products. |
| **What was achieved:** Four new or supplemental systems were put into production in FY04: (1) Compliance Online for the Low Income Housing Tax Credit program; (2) single-family reporting processes; (2) IFAnet (Intranet) and (4) automated special claims processing for Section 8.  |
| **Analysis of results:** IFA achieved the performance target of four new or supplemental systems into production by the end of FY04.  |
| **Factors affecting results:** None |

**CORE FUNCTION**

**Name:** State Revolving Fund

**Description:** The StateRevolving Fundprovides 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 financing for community projects that improve the quality of Iowa’s water.

**What we are doing to achieve results:** During FY04, IFA and DNR participated in a process to analyze and improve the application and approval process for the clean water SRF. This “Kaizen event” resulted in an efficient and streamlined process. One of the improvements was to have IFA assume a more active role in the underwriting and financing aspects of the program. A new memorandum of understanding between the two agencies was written to reflect changes in responsibilities. In FY05, IFA and DNR began actively marketing the SRF to educate potential borrowers on the benefits of using the program to finance their projects and to encourage their participation.

Performance targets for the Services/Products/Activities related to the SRF Core Function were not measured during the redesign of the program, so there are not results to report on for FY04. Data is being collected to measure the impact of SRF improvements in FY05.

AGENCY CONTACTS

Copies of the Iowa Finance Authority’s Annual Performance Report are available on the IFA website at [www.ifahome.com](http://www.ifahome.com). Copies of the report can also be requested through Monica Fischer at 515/242-5006 or monica.fischer@ifa.state.ia.us.

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](http://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 and supplementary information for the fiscal years ending June 30, 2004 and 2003, and an independent auditor’s report on the statements and information, conducted by KPMG LLP.