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M A G A Z I N E

A PUBLICATION OF THE HOME BUILDERS ASSOCIATION OF WEST FLORIDA



2019 Year in Review

Highlights from the Home Builders
Association of West Florida

PAGES 7-9

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Cover Story

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Cornerstone



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PRESIDENT'S MESSAGE

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HBA Members Made 2019 An Exciting and Productive Year

What an exciting year this has been, and now my year as president of the Home Builders Association of West Florida has come to an end. It truly has been a wonderful year and a great honor for me to lead this association the past 12 months. It seems like yesterday that I was being installed as president, and now, I'm writing my last article. Much like a marathon race, this association has been around for many years and I have been blessed to carry the baton for 2019. And like every president before me, it is time to pass the baton and make way for other fine leaders to follow. I could not be more pleased than to turn the reins over to Blaine Flynn of Flynn Built. You can rest assured that the HBA will continue to prosper under his leadership. Blaine has worked closely with me this year and he is truly a good person, family man and he's a fighter for our industry. Blaine has served on the HBA Board for many years and has been instrumental in the success of the HBA's efforts to be involved in Governmental Affairs, Membership Drives, Membership Meetings and a host of other HBA activities. He will do very well.

It has been a busy and productive year for our HBA. I am very proud of the character and work ethic of the volunteers who continue to do magnificent work for our association. The year could not have been the success that it was without the help and support of the many individuals whom contributed their time and energy on behalf of the association. That energy, pride and passion of the HBA was on vivid display on February 25 when over 300 construction industry members donned bright red t-shirts emblazoned with "Housing = Jobs" and packed the Santa Rosa County Commission chambers to warn against the dire consequences of government-imposed restrictions on growth and development. That enthusiasm for the home building industry made me especially proud to be a part of this association. It was a positive start for the year and it continued through the Parade of Homes, Home and Products Expo and the many meetings throughout the year.

I am very thankful for the leadership provided by our Committee and Council Chairs. Your work is vital to the success of this association and I thank you for your service and please allow me to touch on a few highlights:

The Home and Products EXPO had another banner year under the leadership of Show Manager Vicki Pelletier. Vicki handled the vendors and every detail like the seasoned pro she is. She is such a joy to be around and the HBA members truly appreciate her, like I do. Also, thank you to Ron Castner, of Castner Construction, who takes four days out of his schedule to be involved at the Pensacola Bay Center during the show. Ron does an excellent job for the HBA and we appreciate him very much.

The HBA completed its 61st Annual Parade of Homes and Thomas Henry and John Quina of Thomas Home Corporation built a magnificent Dream Home that sold quickly. Thomas and John are highly competitive and they wanted to break the HBA's profit record. They worked well with suppliers who understood the mission of the Dream Home and they now have the all-time record! The proceeds from the home cannot be underestimated in that we need every dollar to keep our HBA running and fighting for housing issues. We certainly could not have made an impact for our HBA without the support of our members who generously give to the Dream Home. Thank you.

Under the direction of Shelby Johnson, of Johnson Construction, and Financial Officer Amy Stachowicz, of Saltmarsh, Cleaveland & Gund, they worked hard to make sure that our association ran as efficient as possible. I am truly thankful for the work of Amy who is

Continues on page 06



ALTON LISTER

"I have enjoyed my year serving you, and I wish you all the best in the future."

HBA Members Made 2019 An Exciting and Productive Year

from page 05

extremely busy in a demanding job in public accounting, yet she continued to help the HBA and work closely with our great bookkeeper Charlotte Hooks.

Residential Designer Doug Whitfield led the Cost & Codes Committee with his expertise as he has for many years now. Doug is a tremendous asset to our association, and he continues to help HBA members understand the massive Statewide Building Code. He's always willing to lend a helping hand and his knowledge and experience helps the HBA throughout the year.

Marty Rich has given his energy this year with the Membership Committee and was very successful with the Golf Tournaments. Keith Furrow represented the Pensacola Association of Realtors on the General Board and gave us a good analysis of the market each month. Laura Gilmore represented the HBA to the local Housing Authority as well.

Our Councils also played an important role within the association:

The Auxiliary Council changed its name to the Tradesmen Education Council to better represent a growing need of workers in the construction industry. This change was led by Chair Mary Weaver, of Gulf Coast Insurance, who recognized that students in our area needed a broad-based approach to creating a pathway into our industry. The Council has taken an active role in the HBA's Construction Academy at Pine Forest High School, and the council plans to expand its scholarship program to schools in Escambia and Santa Rosa Counties. It is wonderful that they are getting involved in supporting the students and the construction trades.

The Sales & Marketing Council, led by Lindy Hurd of First International Title, hosted informative seminars throughout the year and a successful SAMTRAM to see the latest in new home construction. Lindy has been active with the HBA for a very long time and she is a quality person who always works hard for the betterment of the industry.

We dedicated the April issue of the Cornerstone Magazine to our Executive Officer, David Peaden - and he truly deserved the recognition. As any past president can attest, David makes this time enjoyable and keeps us informed of all the issues at hand. His skill of working with people and knowing who to contact has been invaluable so many times this year, as well as his knowledge in our local issues. He has represented the HBA with honor over the past years and I personally am thankful for all his help and guidance this past year. Thank you, my friend.

Special thanks to the Senior Officer team of First Vice President Blaine Flynn, Financial Officer Amy Stachowicz, Treasurer Shelby Johnson, Secretary Chad Edgar, Second Vice President Bruce Carpenter, Third Vice President Alex Niedermayer, Immediate Past 2nd Vice President Charlie Sherrill, Immediate Past President Taylor Longworth, and longtime HBA Legal Counsel Stephen Moorhead. These dedicated professionals have been a joy to work with and this association's future is in good hands.

Not enough room to thank everyone who has been so kind to me this year, but please know I have cherished every moment. When first asked to serve on the Senior Board, my thoughts were to give back to an industry that has given me so much the last 35 years. After serving this year, I clearly feel that more has been given back to me than I could possibly have given to the HBA. The friendships that have been made and the great people I have been privileged to meet has truly enriched my life this year. It has been an honor to be asked to fill this position - and I have enjoyed my year serving you. I wish you all the best in the future.



Bruce Carpenter



Marty Rich



Mary Jordan



Lindy Hurd

Year in Review HIGHLIGHTS

from the Home Builders Association of West Florida



Students from the HBA's Construction Trades Academy at Pine Forest High School built 8 picnic tables for Epps Christian Center who feeds the homeless every day of the week.



Alton Lister was installed by his brother, David, as the 64th President of the Home Builders Association of West Florida.



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HOME BUILDERS ASSOCIATION OF WEST FLORIDA
HBA builders show off their Outstanding Home Awards at the 61st Annual Parade of Homes Kick off Event in June.

More Year in Review photos!



Over 300 construction industry workers packed the Santa Rosa County Commission Chambers to voice concern that Housing = Jobs! It was a great day for the industry as Commissioner Lane Lynchard noted that he's never seen the commission chambers packed in all of his years in office.

More pictures
Year in Review HIGHLIGHTS
 from the Home Builders Association of West Florida



Cost and Codes Committee Chair Doug Whitfield with Building Officials (City of Pensacola) Jonathon Bilby, (Santa Rosa County) Rhonda Royals, (Escambia County) Tim Tolbert and HBA President Alton Lister for the HBA's Lunch and Learn.



HBA members traveled to Tallahassee during FHBA's Legislative Conference. Senator Doug Broxson, a force in the Florida Senate, met with HBA leaders to discuss housing issues.



Taylor Longworth and John Hattaway work with students at the SkillsUSA at the Pensacola Bay Center.



Jesse Rigby, a volunteer at AMI Kids, spoke to the Tradesmen Education Council about helping kids discover the potential within them, transform their lives and strengthen our community.



Moley Riley of Defined Interiors meets with an attendee of the Home and Products Expo at the Pensacola Bay Center.



The 2019 American Dream Homes, built by Thomas Home Corporation was a tremendous success.



Above: Attendees look on as a demonstration at the Home and Product Expo.

Right: Pensacola Energy hosted a Membership Mixer at the Institute for Human and Machine Cognition where HBA members saw incredible technology and robots



John Quina and Thomas Henry of Thomas Home Corporation take a moment to celebrate the completion of the American Dream Home at the gated community of Carrington.



TOP 10 REASONS TO DO BUSINESS WITH AN ACTIVE ASSOCIATE MEMBER

1. They support the industry at the local, state and national levels.
2. They volunteer time, talent and treasure to help the association accomplish its goals.
3. They recruit their colleagues & business contacts to become members.
4. They serve on committees and councils gaining valuable networking opportunity while helping to advance the association's mission.
5. By doing so, you increase the value proposition for all membership in our HBA.
6. They are strong supporters of local and state PACs and BUILD-PAC.
7. They are a major source of non-dues revenue through sponsorships, advertising, etc.
8. As industry partners, they are a valuable resource for business and management tips.
9. They are heavily invested in your business success: You win, they win!
10. Why wouldn't you do business with a member?



Builders Are Not to Blame for Our Area's Growth Challenges

By David Peaden

There is a huge misperception held by some in our community when it comes to the challenges of population growth in Escambia and Santa Rosa counties.

These vocal citizens point fingers at builders and developers they see development change the character of their community. Unfortunately, this blame is misplaced. The fact is that our industry is not *creating* growth but *responding* to growth by providing the essential human need for shelter. In this role, we are no different than Publix, Walgreens, and Chick-fil-A. But when was the last time you heard of someone standing up at a public hearing and asking elected officials to place a moratorium on grocery stores, pharmacies, and fast-food establishments?

Sadly, the no-growth advocates who consistently pressure local governments to charge impact taxes on new homes and place moratoria on new developments *have* their American dream – they live in a home – and yet their actions are serving to deprive others of the same opportunity. They seem to be unaware or unaccepting of two unassailable truths when it comes to the growth of our area. First, from a statewide perspective, Florida's robust growth is irreversible and inevitable. Second, Escambia and Santa Rosa counties are aggressively stimulating growth through economic incentives designed to attract new businesses.

With respect to Florida, the most recent data from the U.S. Census Bureau (updated at a July 8, 2019 Demographic Estimating Conference) forecasts that our state's population (currently estimated at 21.2 million people) will grow to 22.8 million by April, 2024. That's an average of 330,605 new residents per year – or 906 per day – and a growth rate of 1.53 percent over the six-year period. Topping the list of reasons people move to Florida are the great weather, the fact there is no state income tax, and some of the world's best beaches (*Source: Realtor.com, January 2019*). Affordable housing – as a factor in attracting new residents – is ranked seventh.

Now let's look at the economic incentives offered by local governments. Elected officials in Escambia and Santa Rosa counties make major financial investments each year to entice large companies to bring their operations to our area in hopes of creating more "well-paying" jobs. The local governments often offer direct tax breaks and subsidized land to these businesses and leverage even more incentives through public-private entities such as Florida West, Enterprise Florida, and Triumph Gulf Coast.



In Escambia County, the bell cow of economic development is the Navy Federal Credit Union. Located in the once-sleepy area of Beulah, Navy Federal leveraged more than \$34 million in economic incentives to grow its workforce to over 8,100 team members with an annual payroll of over \$350 million. The institution's exponential growth strained existing infrastructure and spawned the need for new subdivisions, homes, and apartments. At the same time, Santa Rosa County is fully invested in "Project Runner," an effort to attract an unnamed industry that will create 400 new jobs. According to the Santa Rosa County Economic Development Commission's 2018 annual report, the county is offering a number of incentives to the target company, including a no-cost site at an industrial park and a 10-year property tax exemption.

To be fair, the Home Builders Association supports economic development efforts and recognize that using incentives to lure businesses can yield a positive return on investment. Of course, Navy Federal is an asset and economic engine for Escambia County. Yes, if Project Runner is successful, Santa Rosa County will benefit from new jobs and a \$40 million capital investment by the new company. Our point is not to assail these initiatives but simply to point out that while governments aggressively pursue businesses that will add population, builders and developers get the blame, and the new home buyer is stuck with the \$5,000 - \$10,000 impact tax that will likely be the case in Santa Rosa County next year.

If I could leave you with one thought, it would be this: if we want to sustain economic viability in Escambia and Santa Rosa counties, the public needs to embrace, not condemn, the development and housing industry. Not only are we a direct and indirect provider of many jobs, we supply the housing – in a variety of sizes, styles, and price range – that is important to the quality of life for those living here now, and those that will need housing in the future.

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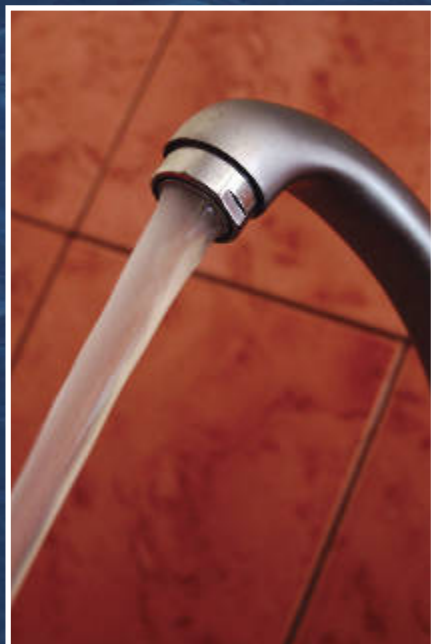
\$1,366.10!

FEMA DEFERS IMPLEMENTATION OF NEW FLOOD INSURANCE RISK RATING SYSTEM

The Federal Emergency Management Agency (FEMA) announced in November it was deferring implementation of its new flood insurance risk rating program by one year until Oct. 1, 2021.

As NAHBNow has previously reported, FEMA, which oversees and implements the National Flood Insurance Program (NFIP), has initiated a long-term effort to transform the program to make it more consumer friendly and better reflect the actual risks properties face.

FEMA said today that it is deferring the implementation of the initiative, commonly referred to as Risk Rating 2.0. The agency had previously announced that new rates for all single-family homes would go into effect nationwide on Oct. 1, 2020.



According to the FEMA notice, additional time is required to “conduct a comprehensive analysis of the proposed rating structure so as to protect policyholders and minimize any unintentional negative effects of the transition.”

As a result, FEMA decided to defer the implementation of Risk Rating 2.0 until Oct. 1, 2021.

It is worth noting that this extension will now allow for all NFIP policies – including, single-family homes, multi-unit and commercial properties – to change over to the new rating system at one time. The originally proposed phased approach would have only resulted in new rates for all single-family homes to go into effect nationwide on Oct. 1, 2020.

NAHB will continue working with FEMA staff to develop industry-specific briefings and resources throughout the process.

4 Design Features to Bring Nature into the Home

People are attracted to nature, and growing evidence suggests that interacting with nature makes people happier and healthier. But with an average of 90% of our time spent indoors, it is easy to feel disconnected. Bringing nature inside the home with specifically targeted design elements can resonate with and draw in potential home buyers and remodeling clients.

A sunroom is a traditional indoor space designed to make you feel like you are outdoors. Think about how you feel when you are in a home’s sunroom — do you feel calmer and happier? Studies have shown that views of nature trigger more pleasure receptors in our brains than non-nature scenes.

This positive experience can be carried throughout the home by incorporating aspects of nature in design strategies, and replicating natural patterns in a home’s finishes and design details. Four of these options are outlined below:

1. Use natural materials. Materials including wood, stone and bamboo draw nature into the home. These materials can be incorporated into floors, walls, support beams and ceilings. How these materials are used can also impact the effect on the home owner. One study demonstrated that a difference in wood ratio on the walls of an interior space led to different physiological responses. Researchers found that a room with a moderate ratio of wood (i.e., 45% coverage) gave subjects a more “comfortable”

feeling, exhibited significant decreases in diastolic blood pressure and significant increases in pulse rate.

2. Maximize daylight. People tend to be more productive and happier when exposed to light. Design strategies include orienting the building to capture the light and air while minimizing heat absorption. Window-wall ratio (WWR) charts show the right WWR to achieve good daylighting, including a north-south orientation and 50% WWR. Windows and skylights also offer a view to the outdoors and a visual connection with nature.



3. Add circadian lighting. Color, intensity and patterns of interior lighting can impact mood, alertness and sleep quality. Natural light patterns fluctuate between higher amounts of blue light during the day and lower amounts in the

evening. Interior lighting can be designed to change to supplement available natural light during the day to optimize light levels. Other design strategies include programming the color of interior lighting during the day and evening, installing dimmable fixtures, using accent fixtures and incorporating diffused light.

4. Incorporate nature-inspired finishes and details. Adding wallpapers or carpets that include natural patterns such as flowers, leaves, shells or birds can make home owners feel more connected with nature. Photos of landscapes, scenery, animals or flowers can also bring nature into the home. Finally, plants add a live nature element directly into the home.

For more details about NAHB’s sustainable and green building initiatives, contact Sustainability and Green Building Program Manager Michelle Diller

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HUD and Justice Department Reach Agreement on False Claims Act

In an effort to convince more banks to offer Federal Housing Administration (FHA) financing, U.S. Housing and Urban Development Secretary Ben Carson and U.S. Attorney General William Barr yesterday issued a Memorandum of Understanding (MOU) between the two agencies that sets guidance on the appropriate use of the False Claims Act (FCA) for violations by FHA lenders.

The MOU fulfills a key component of HUD's Housing Finance Reform Plan.

"This agreement clearly outlines our FHA mortgage program requirements, so they do not impede or discourage lenders from offering affordable FHA-insured loans to credit-worthy borrowers," Carson said. "In taking these steps, we are fulfilling an important element in our Housing Finance Reform Plan and making clear to all responsible lenders that FHA's mortgage program is a program they should participate in."

"This MOU sets forth a robust and collaborative process for deciding when to pursue False Claims Act cases to remedy material and knowing FHA violations," added Barr. "DOJ and HUD will work together to determine when HUD's administrative remedies are sufficient, or other recourse is appropriate, to address harm to the borrower, the taxpayer, or

the government."

This interagency understanding is intended to address concerns that uncertain and unanticipated FCA liability for regulatory defects led many well-capitalized lenders, including many banks and credit unions statutorily required to help meet the credit needs of the communities in which they do business, to largely withdraw from FHA lending.

The MOU is part of a comprehensive plan to bring greater clarity to regulatory expectations within the FHA program. These new and revised components are intended to make affordable FHA-insured mortgages more accessible to qualified borrowers, reduce risks within the FHA program, and preserve appropriately tailored remedies.



Lot Values Hit Record Highs

Median single-family lot prices in 2018 outpaced inflation (4.4% vs 2.4%) and reached a new record high, with half of the lots selling at or above \$49,500, according to NAHB's analysis of the Census Bureau's Survey of Construction (SOC) data.

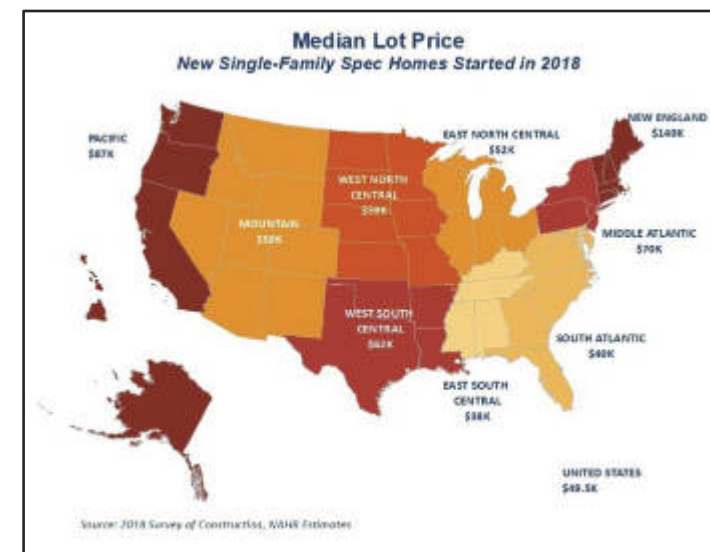
The most dramatic rise in lot values was observed in the West South Central division where median lot values more than doubled since the housing boom years.

While this constitutes a new nominal national record, lot values adjusted for inflation have not reached the housing boom peak levels. During the building boom – when twice as many single-family homes were started – half of the lots were selling above \$43,000, which is equivalent in purchasing power to more than \$53,000 in 2018.

A Geographic Breakdown

The West South Central division – which includes Texas, Oklahoma, Arkansas and Louisiana – stands out as a division where new historical records were hit not only in nominal terms but also when adjusted for inflation. Compared to the peak years of the housing boom, lot values more than doubled in this division.

Historically, lot values in the West South Central division have been the lowest in the nation. They started rising in 2013 and by



2015 caught up with the national median. As of 2018, half of the lots in the West South Central division sold for more than \$62,000, 25% above the national median lot value for single-family spec homes of \$49,500. This represents a significant jump in the division lot values since the building boom when more than half of lots were priced under \$30,000.

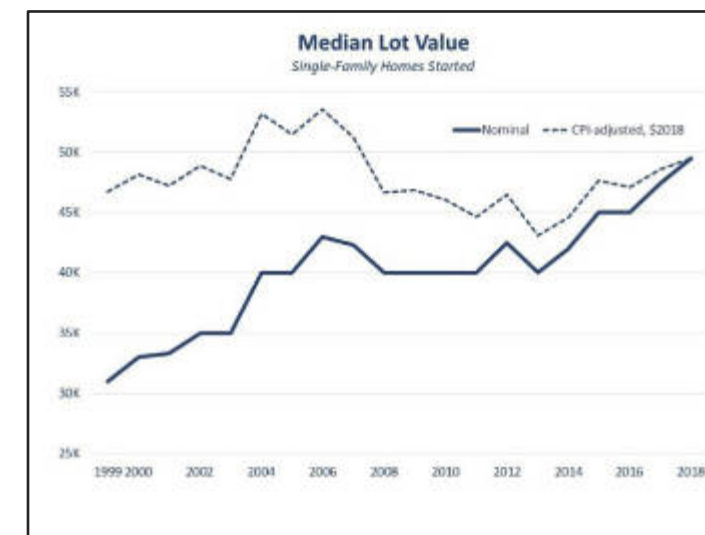
Single-family spec homes started in New England are built on some of the most expensive lots in the nation. Half of all sold single-family homes started in New England in 2018 reported lot values in excess of \$140,000, a new nominal record for the division. New England is known for strict local zoning regulations that often require very low densities. Therefore, it is not surprising that typical single-family spec homes started in New England are built on some of the largest and most expensive lots in the nation.

The Pacific division has the smallest lots. However, the median lot value reached \$87,000 in 2018, the second most expensive value in the nation and a new nominal record for the division. As a result, the Pacific division lots stand out for being most expensive in the nation in terms of per acre costs.

The East North Central is another division that hit a new record high, with half of the lots priced above \$52,000, exceeding the national median lot value for single-family spec homes.

The East South Central Division that has the second largest lots in the nation simultaneously reports the lowest median value of \$38,000 per lot, thus defining the most economical lots in the nation as well as lowest per acre costs.

This analysis is limited to single-family speculatively-built homes by year started and with reported sales prices. For custom homes built on owner's land with either the owner or a builder acting as the general contractor, the corresponding land values are not reported in the SOC. Consequently, custom homes are excluded from the analysis.



DON'T FORGET

HBA 2020 BUILDERS TRADE SHOW

February 20, 2020
3pm - 7pm
New World Landing

MORE INFO ON PAGES 19-20

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Put Your Guard Up: Guardrails Save Lives and Keep Builders in Compliance



Guardrails play a critical role in protecting workers and visitors on a jobsite, but they work only when installed properly.

NAHB Safety sponsor Builders Mutual has launched a campaign called **Put Your Guard Up** to encourage home builders to pay more attention to the need for and the installation of guardrails for worker safety and company compliance.

OSHA Requirements for Fall Protection

Before work begins, OSHA requires that employers provide fall protection where workers are exposed to vertical drops of six feet or more. Guardrails are one of three main ways to provide that fall protection. You can also deploy safety nets or provide personal fall arrest systems for each employee.

Many times, the nature and location of the work will dictate the form that fall protection takes. Consider inspecting these common fall locations before beginning work:

- Window openings
- Stairways and landings
- Second-story entrances
- Exterior porches, decks, front steps
- Scaffolding
- Around the floor deck in the house (reassess these areas as you build each floor)
- Elevator shaft

Your Guardrail Compliance Checklist

If you choose to use a guardrail system, you must comply with the 10 OSHA provisions listed below. Be sure you have checked all 10 before work begins on your jobsite.

1. Top edge height of top rails must be between 42 +/- 3 inches above the walking/working level, except when conditions warrant otherwise. For example, when employees are using stilts, the top edge height of the top rail must be increased by an amount equal the height of the stilts.

2. Mid rails must be installed between the top edge and the walking/working surface when there is no wall or other structure at least 21 +/- 3 inches high.
3. Mid rails must be midway between the top edge of the guardrail system and the walking/working level.
4. Toe boards must be installed to prevent materials and/or tools from falling to lower levels.
5. Screens and mesh must extend from the top rail to the walking/working level and along the entire opening between rail supports if material is stacked above the toe board height.
6. You may leave a maximum of 19 inches between your guardrail and a structure to allow for work to be done.
7. Guardrail systems must be capable of withstanding at least 200 pounds of force applied within 2 inches of the top edge, in any direction and at any point along the edge, and without causing the top edge of the guardrail to deflect downward to a height less than 39 inches above the walking/working level.
8. Mid rails, screens, mesh, and other intermediate members must be capable of withstanding at least 150 pounds of force applied in any direction at any point along the mid rail or other member without deflecting below 18 inches.
9. Guardrail systems must not have rough or jagged surfaces that would cause punctures, lacerations, or snagged clothing.
10. Top rails and mid rails must not cause a projection hazard by overhanging the end posts.

Print this checklist and keep it handy in your truck or office for reference.

Make Guardrails a Habit

While it is ultimately the general contractor's responsibility to have properly installed guardrails in place, everyone can participate in creating a safe jobsite. As a team, you can create a safety culture where it is a habit to Put Your Guard Up as soon as an opening is created.

All trades and subcontractors should be briefed on their roles in creating a safe work environment. Often, guardrails must be removed or reworked to accommodate each day's task. For example, one team may take down guardrails to paint the interior. It is now their responsibility to reinstall the appropriate fall protection.

Assign someone to review the guardrail checklist at the beginning of each work day. This will help to catch missed openings or places where a guardrail was removed the day before. Anyone on your team could be trained to perform this inspection. You could even rotate the task through the team, making it a great way to engage everyone.



FHA CAPITAL RESERVES HIT 12-YEAR HIGH

The Federal Housing Administration (FHA) in late November released its annual report to Congress that shows the agency's capital reserve ratio grew by more than \$27.5 billion in fiscal 2019 to a total economic net worth of \$62.38 billion.

In a sign that the housing recovery continues to make gains, the independent actuarial analysis shows that for the fifth straight year, FHA's reserve ratio of its Mutual Mortgage Insurance Fund (MMI fund) has exceeded the congressionally mandated 2% threshold. The capital reserve ratio soared to a 12-year high of 4.84% this year from 2.76% in 2018.

"The financial health of FHA's single-family insurance fund is as sound as it has been in over a decade," HUD Secretary Ben Carson said.

The MMI fund's growth was fueled by the Single Family Forward Portfolio program, which posted a capital ratio of



5.44% and a positive economic net worth of \$66.6 billion.

These gains were partially offset by losses in the volatile reverse mortgage portfolio, which posted a negative capital ratio of 9.22% and was valued at minus \$5 billion. However, FHA Commissioner Brian Montgomery noted, "The improvements we've begun to put in place in the last two years to stem the losses of the reverse mortgage portfolio, aided by favorable economic conditions, are contributing to some improvements in our reverse mortgage portfolio."

The report noted that the FHA mortgage insurance program continues to serve as an important facilitator of nationwide mortgage credit availability and access to homeownership, particularly for first-time buyers, but that FHA must continue to monitor emerging risks, such as borrowers with high debt-to-income ratios and the use of downpayment assistance programs.

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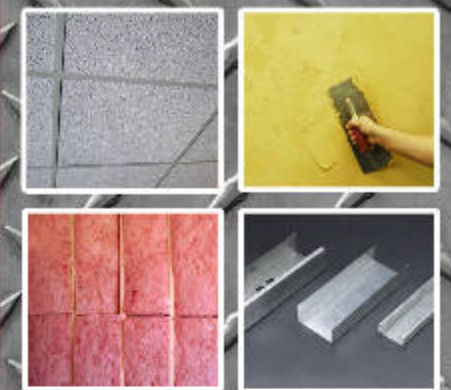


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