

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
July 22, 2011
Information Items



COMMUNICATIONS

Information

I. COMMUNICATIONS

A. Hardest-Hit Fund

1. Background/Present Situation

a) Since the implementation of the statewide launch, Florida Housing has received press on the program in the following media outlets (including print, broadcast and Internet):

- (1) Boston Today Newspaper
- (2) Bradenton Herald Newspaper
- (3) CBS 4 in Miami
- (4) Clay Today Newspaper
- (5) Daytona News-Journal Newspaper
- (6) First Coats News.com Online
- (7) Florida Times Union Newspaper
- (8) Florida Today Newspaper
- (9) Herald Tribune Newspaper
- (10) Highlandstoday.com Online
- (11) Miami Herald Newspaper
- (12) Mortgageorg.com Online
- (13) News-Press Newspaper in Fort Myers
- (14) North Escambia.com Online
- (15) Ocala.com Online
- (16) Ocala Star Banner Newspaper
- (17) Orlando Sentinel Newspaper
- (18) Palm Beach Post Newspaper
- (19) Pensacola News Journal Newspaper
- (20) Stateline.org Online
- (21) St. Augustine Record Newspaper
- (22) St. Pete Times Newspaper
- (23) Sun-Sentinel Newspaper
- (24) TCPalm.com Online
- (25) WBBH Channel 2 Charlotte County
- (26) WEAR Channel 3 Pensacola
- (27) WJXT Channel 9 Jacksonville
- (28) WOFL Channel 35 Lake Mary
- (29) WPTV Channel 5 West Palm Beach

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- (30) WUFT 89 FM Radio Gainesville
- b) Follow-up articles continue to be monitored, and are being saved and cataloged. Communications staff also is monitoring HHF Advisors marketing and outreach efforts in their communities.
- c) The online application process is available through the official HHF website (www.FLHardestHitHelp.org); complete information on the program may be accessed on the site, as well.
- d) The Communications Office continues to field reporter, consumer, and stakeholder calls and emails at a steady pace. Also, we are in contact with US Treasury officials and National Council of State Housing Agencies (NCSHA) representatives to ensure Florida Housing is compliant with guidelines for communications efforts, while also staying apprised on how other states are handling public relations issues surrounding this initiative.

B. Marketing/Outreach

1. Background/Present Situation

- a) In an effort to continue building relationships with affordable housing advocates and providers, Communications staff participated as an exhibitor at the Florida Association of Counties (FAC) Annual Conference in Orlando last month. More than 200 local elected officials and their staff attended the conference.
- b) Staff also will attend two (2) additional conferences this summer:
 - (1) August 11-13 – Florida League of Cities (FLC) Annual Conference
 - (2) September 26-28 – Florida Housing Coalition (FHC) Annual Conference

FISCAL
Information

II. FISCAL

A. Operating Budget Analysis for May 2011

- a) The Financial Analysis for May 31, 2011, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending May 31, 2011, is attached as [Exhibit B](#).

GUARANTEE PROGRAM

Information

III. GUARANTEE PROGRAM

A. Status of Defaults within the Guarantee Program Portfolio

1. Background/Present Situation

- a) In November 1994, the Guarantee Program entered into an agreement with HUD to participate in the Risk-Sharing Program; characterized by a 50/50 sharing of default risk in connection with the mortgage guarantee. Since then, the Guarantee Program alone and/or in conjunction with HUD has guaranteed 120 transactions, facilitating the construction of over 28,000 housing units in Florida. Of the 90 multifamily developments in the Guarantee Program portfolio today, 58 are Risk-Sharing transactions.
- b) As of June 30, 2011, there were no developments in the portfolio in monetary default (due to the borrower's failure to make timely payments on the note).
- c) Since November 2008, there have been eight (8) multifamily claims filed on the Guarantee Program, representing the total (and only) multifamily claims incurred in its 16-year history. The chart at [Exhibit A](#) reflects the developments that have been foreclosed or are in the process of foreclosure, as of June 30, 2011, listed in chronological order by claim filed date.

B. Guarantee Program Portfolio Summary and Guarantee Fund Capacity ([Exhibit B](#))

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IV. LEGAL

- A. **In Re: Elmwood Terrace Limited Partnership v. Florida Housing Finance Corporation - 1st DCA Case Nos. 1D10-5930, 1D11-0150; DOAH Case Nos. 10-1975, 10-2799RX; FHFC Case No. 2010-20GA**

Development Name: (“Development”):	Elmwood Terrace
Developer/Principal: (“Developer”):	Elmwood Terrace Limited Partnership
Number of Units: 116	Location: Lee County
Type: Garden Apartments	Set Aside: 10% @ 33% AMI 90% @ 100% AMI
Demographics: Family	ARRA Exchange

1. Background

- a) Elmwood Terrace Limited Partnership (“Elmwood”) originally filed an application for, and was awarded, an allocation of Housing Credits in the 2007 Universal Cycle. Elmwood was awarded a preliminary allocation of Tax Credits, successfully proceeded through credit underwriting review, and prepared to close on tax credit syndication and financing for the project. Before closing, in 2008, the syndicator informed Elmwood that it would not purchase the tax credits.
- b) Elmwood later submitted an application and sought financing through RFP 2009-04 (the “RFP”) for funds that Florida received through the American Recovery and Reinvestment Act of 2009, PL 111-5 (“ARRA”). Certain provisions in the RFP would have precluded Elmwood from obtaining an allocation of the federal stimulus funds. Elmwood filed a challenge to the terms of the RFP, under DOAH Case No. 09-4682BID (the “RFP case”). On November 12, 2009, Judge Harrell issued a Recommended Order which found that that the RFP was contrary to certain provisions of Florida Housing’s existing 2009 Universal Cycle rules, which the RFP incorporated, in three respects: by using Location A to exclude the Elmwood project from consideration for award; by imposing a 92% physical occupancy standard for projects funded under the RFP that was contrary to the 90% requirement in the Universal Cycle Instructions; and that the RFP terms of the selection review process were arbitrary and capricious as they differed from the review process established in section 420.5087, Florida Statutes.
- c) Following issuance of the Final Order in the RFP case, Elmwood was invited into Credit Underwriting process by letter from Florida Housing dated December 4, 2009. Seltzer Company was the credit underwriter assigned by Florida Housing to review Elmwood’s RFP application.
- d) On October 6, 2010, the Administrative Law Judge also issued a Recommended Order in this case. The Recommended Order found and concluded, *inter alia*, that the credit underwriter and the Board correctly applied the applicable rules to the facts of this case; that the initial 2007 decision to award tax credits was appropriate given the economic conditions extant, and that the decision to deny funding in 2010 correctly apprehended the current economic realities.

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- e) Elmwood filed a Petition for Administrative Hearing (the "Petition") challenging the denial of its request for federal stimulus funding and the rescission of the tax credits on March 29, 2010. The Petition alleged the denial was based on incomplete, irrelevant or erroneous facts and assumptions, was inconsistent with the analysis and approval of other applications seeking federal stimulus funding and was based on the incorrect or improper application of Rule 67-48.0072(10), Fla. Admin. Code (the "Credit Underwriting Rule").
- f) Elmwood filed its "Petition for Administrative Determination of Invalidity of Existing Rule," (the "Rule Challenge Petition") at the Division of Administrative Hearings on May 21, 2010. The challenge was filed pursuant to Sections 120.56(1) and (3), 120.569 and 120.57(1), Florida Statutes, and Rule 28-106, Florida Administrative Code. The Rule Challenge Petition challenged the validity of Florida Housing's existing rule, R. 67-48.0072(10), Fla. Admin. Code (2009). More specifically, Elmwood challenged the provision within subsection (10) that provides as follows:
- The credit underwriter must review and determine whether there will be a negative impact to Guarantee Fund Developments within the primary market area or five (5) miles of the proposed Development, whichever is greater.
- g) By Order dated May 25, 2010, these cases were consolidated for hearing. A formal administrative hearing on the consolidated cases was held on June 14-16, 2010, in Tallahassee before William F. Quattlebaum, Administrative Law Judge ("ALJ"), Division of Administrative Hearings ("DOAH"). The hearing was continued until June 22, 2010, to allow Petitioner to include rebuttal testimony.
- h) On October 6, 2010, the ALJ issued a Final Order on the rule challenge. The ALJ found and concluded that the challenged provision, even though it was adopted as a rule, was not a rule within the meaning of sec. 120.52(16), Florida Statutes. The Final Order went on to say that if the "Impact Rule," were a rule, that it would be a valid rule under any of the six elements contained in sec. 120.52(8), Florida Statutes, the definition of "invalid exercise of delegated legislative authority."
- i) Also on October 6, 2010, the ALJ issued a Recommended Order on the board's decision to rescind funding, finding that the Board acted properly and in compliance with its rules, and recommending that the Petition be dismissed. Elmwood filed exceptions to the Recommended Order. On December 20, 2010, the Board issued its Final Order in Case No. 2010-20GA, rejecting the exceptions and adopting the findings of fact, conclusions of law, and recommendation of the Recommended Order, and rescinded Elmwood's funding.

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2. Present Situation

On March 5, 2010, Elmwood filed a Notice of Appeal with the First District court of Appeal. On May 14, 2010, Elmwood moved the Court to abate the appeal proceedings. On May 20, 2010, the Court issued an order placing the case in abeyance until June 30, 2010. Elmwood filed its Initial Brief on August 23, 2010; Florida Housing Filed its Answer Brief on October 8, 2010; and Elmwood's Reply Brief is due not later than November 4, 2010. Elmwood has requested oral argument.

SINGLE FAMILY BONDS

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V. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

1. Background/Present Situation

- a) Florida Housing continues to honor our commitment to have funds continuously available for qualifying homebuyers through our First Time Homebuyer Program. Florida Housing's Program provides assistance to eligible homebuyers by offering low cost, 30-year, fixed-rate mortgages together with down payment and closing cost assistance. Current allowable mortgage loan products include: Federal Housing Administration (FHA), Department of Veterans Affairs (VA), United States Department of Agriculture - Rural Development (USDA-RD), as well as conventional loan products offered through Fannie Mae and Freddie Mac. These loan products are 100% guaranteed. Borrowers must now have a 620 FICO score or higher and must complete a 6-8 hour face-to-face homebuyer education class in order to qualify for assistance through our First Time Homebuyer Program. Our recent increase from a minimum 600 to a 620 FICO score was a result of closely monitoring Program delinquency data and making the necessary Program changes to ensure that we are helping borrowers not only obtain homeownership but more importantly sustain homeownership. Florida Housing offers qualified homebuyers two down payment and closing cost assistance programs in the form of second mortgage loans. Florida Assist is a 0% deferred payment \$7,500 second mortgage that serves homebuyers with an area median income (AMI) of up to 100%, adjusted for family size. Homeowner Assistance for Moderate Incomes (HAMI) serves households above 100% AMI, up to Program first mortgage income limits. This product provides a qualified buyer with up to \$5,000 of assistance in the form of a 10-year, amortizing second mortgage, currently at a 5% fixed rate. These second mortgage products may only be used in conjunction with Florida Housing's first mortgage products.
- b) June was a busy and productive month for Single Family staff. We held our Eighth Annual Lender Appreciation Awards Dinner on Friday, June 10, 2011, at the Peabody Orlando Hotel. We had approximately 180 attendees that included participating lender corporate officers, loan officers, underwriters and support staff, as well as several housing counseling providers. Single Family Program staff presented 21 Institutional Awards and 51 Individual Awards to the top performing Program lenders and underwriters from around the state. Florida Housing was presented with a Partnership Award from US Bank Home Mortgage MRBP for being their #1 state HFA for bond production in 2010. We were pleased that the majority of our Board members and several FHFC Senior Staff members were able to join us in honoring our lenders. This event is our opportunity each year to give back to our lenders and recognize them and our other affordable housing partners who make the First Time Homebuyer Program a success.
- c) We sponsored and attended the Mortgage Bankers Association of Florida's Annual Conference June 22-23, in St. Petersburg, Florida. David Westcott, our Director of Homeownership Programs, was a speaker on the opening day of the event and was able to present our FTHB Program and tie it into the conference theme which was "Path to Recovery." Many of our participating lending partners as well as prospective partners attend this event each year. It gives

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Program staff a chance to interact with our lenders and also be introduced to industry participants who might not otherwise be aware of our Program.

- d) Since 2003, Single Family Program Staff has taught a three hour, Department of Business and Professional Regulation (DBPR) approved continuing education (“CE”) course for Realtors which is coordinated through local Realtor boards throughout the state. Single Family staff recently conducted this class in Orlando (Orange County) in conjunction with the June 10th Lender Dinner event. There were 48 Realtors in attendance, all of whom will receive three hours of continuing education credit and who are now well versed in our First Time Homebuyer Program. Our 2011 Realtor training calendar currently has 5 additional classes scheduled in diverse geographic areas of the state. Our travel costs are offset by charging a nominal fee to the sponsoring Realtor board based upon the number of participants in attendance. Our goal is to make this educational event cost neutral to Florida Housing, while providing Realtors with knowledge of affordable housing programs offered through the Corporation. Class evaluations indicate that Realtors continue to find the course information useful for their prospective homebuyers. This should contribute to more qualified families becoming homeowners and ultimately increase loan production for the program.
- e) The Single Family Program Staff, in conjunction with our Master Servicer, US Bank, and the program compliance team at eHousing, conducts quarterly lender training webinars. The morning session is held for loan officers and processors, with the afternoon session directed to underwriters, closers, shippers, and post closing staff. By splitting the training into two webinars, we are better able to target the specific needs of each group. Our next training webinar will be conducted on July 11th. Working with US Bank, we are currently converting this training into a 24/7 online educational platform. Although we accept new lender applications once per year (January), the need for training remains constant throughout the year as new loan officers join approved lending institutions. Our goal is to have this training platform implemented by the end of the 3rd quarter of 2011.
- f) Single Family staff recently launched a new in-person advanced training format designed to enhance the efforts of loan officers already originating Program loans. Our first class was conducted for Wells Fargo Home Mortgage in Lake Mary, Florida. The class was attended by over 30 bond trained loan officers brought in from around the state to receive this advanced training. The class teaches processes and Program details targeted specifically to each organization. We expect to see both increased loan production and an increase in loan file quality as a result of these trainings. We have been contacted by two additional lenders who want to take advantage of this resource for their staff.
- g) Florida Housing continues to sponsor a toll-free telephone line (800-814-HOME) for first time homebuyers to call for information about our program. For the months of May and June, we received 1,184 total calls; of which 510 were transferred to the Single Family Staff. The remaining callers that were not transferred to the Single Family Staff were able to receive information by accessing our First Time Homebuyer Wizard tool, which is located on our website. We continue to closely monitor these calls to evaluate the best way to efficiently handle the call volume in the long term.

B. Single Family Bonds Information ([Exhibit A](#))

SUBORDINATED MORTGAGE INITIATIVE (SMI)

Information

VI. SUBORDINATED MORTGAGE INITIATIVE (SMI)

A. Program Update

1. Background/Present Situation

- a) As of this date, the Board has approved funding for a total of thirty-two (32) Subordinated Mortgage Initiative (SMI) loans. The purpose of these loans is to provide subordinate financing on developments which are credit enhanced by the Guarantee Program and determined to be in financial distress in order to provide temporary assistance in funding their mortgage debt service obligations for a period of up to twenty-four (24) months. Florida Housing provided funding for up to one mortgage payment per each three month period. The developer is required to make the remaining payments. This process is to be repeated for up to twenty-four (24) months, with Florida Housing potentially making up to a total of eight mortgage payments and the developer making a total of sixteen mortgage payments during this period.
- b) Attached as [Exhibit A](#) is a spreadsheet of the status of the SMI loans approved to date. Highlights of the data are as follows:
 - (1) The Board has approved a total of thirty-two (32) SMI loans in the amount of \$19,120,000.
 - (2) Thirty (30) of these SMI loans have been closed to date in the principal amount of \$17,834,309.01.
 - (3) \$15,149,997.41 has been disbursed to date.
 - (4) Two (2) loans, representing two different developers, approved in the total amount of \$675,000, have yet to be closed.
 - (5) At this time, it does not appear these two loans will be closed due to an inability to obtain the required consent of the investment limited partner.
 - (6) As of July 1, 2011, the final disbursement has been made on nineteen (19) of the thirty (30) loans closed to date. All accrued interest will be due on these loans twenty four months after the final disbursement. The loan will then be amortized based on a twenty year amortization with a balloon payment due at the end of year six.
 - (7) One loan, Villas at Lake Smart, was paid in full on April 11, 2011. There was \$151,730.22 in undisbursed SMI funds at the time.
 - (8) Since the inception of the Subordinated Mortgage Initiative, only one developer, involving two SMI loans, has failed to make a required payment under their obligations as outlined in the SMI loan. However, the required payments were ultimately made and, as a result, there have been no claims made on the Guarantee Fund Program for any development receiving SMI funding.