

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
April 27, 2012
Information Items



AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

Information

I. AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

A. Changes to Construction Features and Amenities and/or Resident Programs

1. Background/Present Situation

- a) The following developments have requested, and staff has approved, changes to the Construction Features & Amenities and/or Resident Programs in their Application since the last Board meeting:
 - (1) Pinnacle at Avery Glen (2009-139C/2010-044CX) has swapped: “Pantry in kitchen area in all units – must be no less than 20 cubic feet of storage space. Pantry cannot be just an under- or over-the-counter cabinet” (2 points) for “Microwave oven in each unit” (1 point) and “Double compartment kitchen sink in all units” (1 point). This exchange is of equal point value to the amenities originally chosen in the application.
 - (2) East Village f/k/a Ehlinger Apartments (2009-146C/2010-045CX) has swapped: “Energy Star rating for all refrigerators, dishwashers and washing machines that are provided by the Applicant” (1 of 10 green building features) for “Carpet and Rug Institute Green Label certified carpet and pad for all carpeting provided (1 of 10 green building features). This exchange is of equal point value to the amenities originally chosen in the application.
- b) Staff will amend the appropriate EUAs and/or LURAs for each of the developments, as appropriate.

B. Change to Development Site for Northwest Gardens I f/k/a Alan Apartments (2009-057X)

1. Background/Present Situation

Northwest Gardens I f/k/a Alan Apartments is an acquisition/rehabilitation development in Broward County. On January 24, 2012, the Applicant requested to increase the development site adding an additional 0.17 acres. Staff has approved the change and will amend the EUA to include the new legal description.

COMMUNICATIONS

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II. 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) Bay News 9 Tampa
- (2) Boston Today Newspaper
- (3) Bradenton Herald Newspaper
- (4) CBS 4 in Miami
- (5) Clay Today Newspaper
- (6) CitrusDaily.com Online
- (7) Daytona News-Journal Newspaper
- (8) First Coast News.com Online
- (9) Florida Times Union Newspaper
- (10) Florida Today Newspaper
- (11) Florida Trend
- (12) Herald Tribune Newspaper
- (13) Highlandstoday.com Online
- (14) Housingwire.com Online
- (15) Miami Herald Newspaper
- (16) Mortgageorb.com Online
- (17) News-Press Newspaper in Fort Myers
- (18) NorthEscambia.com Online
- (19) Ocala.com Online
- (20) Ocala Star Banner Newspaper
- (21) Orlando Sentinel

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- (22) Palm Beach Post
- (23) Pensacola News Journal Newspaper
- (24) RealEstateRama.com Online
- (25) Stateline.org Online
- (26) St. Augustine Record Newspaper
- (27) St. Pete Times Newspaper
- (28) Sun-Sentinel Newspaper
- (29) Tampa Bay Times Online
- (30) TCPalm.com Online
- (31) Tomrollins.com Online
- (32) Treasury Notes
- (33) WBBH Channel 2 Charlotte County
- (34) WDEF News Channel 12 online wdef.com
- (35) WEAR Channel 3 Pensacola
- (36) WESH 2 News Orlando
- (37) WFTV News Orlando
- (38) WJXT Channel 9 Jacksonville
- (39) WOFL Channel 35 Lake Mary
- (40) WPTV Channel 5 West Palm Beach
- (41) WTVT Channel 13 Fox Tampa
- (42) WUFT 89 FM Radio Gainesville
- (43) WZVN ABC Channel 7 Fort Myers

COMMUNICATIONS

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- b) Communications and HHHF staffs have participated in and will be involved in multiple HHHF-related events.
- c) The Making Home Affordable (MHA)/ HOPE NOW event that occurred in late February was a huge success. Staff facilitated the participation of HHHF Advisor Agencies, prescreened and entered prequalified applicants into the online application system, informed applicants about HHHF and set up marketing materials among, other tasks.
- d) Communications staff also attended a Bank of America (BoA) foreclosure prevention outreach event in Jacksonville to support both participating HHHF Advisors and the BoA. The event had a high media impact, which resulted in several three-minute media spots being broadcasted throughout the day on the local news. At this event, 65 homeowners were referred to HHHF Advisors for eligibility determinations; of those homeowners seen, 28 qualified for the HHHF program.
- e) Due to the excellent relationship Bank of America has with Florida Housing, Communications staff has been invited to multiple upcoming mortgage outreach events during the coming months. BoA plans to host a mobile tour in several smaller cities throughout Florida, as well as hosting larger events in major metropolitan areas. Communications/HHHF staffs will attend the three-day outreach events in Miami, Orlando, and Cape Coral. Staff will support BoA with event coordination for the mobile tour cities, including stops in: Naples, Port St. Lucie, Destin, Palm Coast and Gainesville.
- f) Recently, Communications staff participated in the Tallahassee Fraud Prevention event held at the Early Learning Coalition of the Big Bend. Staff set up an exhibit with information about HHHF, answered potential applicants' questions, and provided support to the HHHF Internal Audit team, which made a presentation at the event.

B. Corporate Marketing/Outreach

1. Background/Present Situation

- a) Communications staff continues to work on a plan of action to revamp the corporate newsletter, *What's Developing*. The newsletter is scheduled to be in production by the end of July 2012.
- b) Communications staff also is working with Homeownership Program staff to produce marketing materials for the Mortgage Credit Certificate (MCC) Program. This program is set to roll out in June 2012. In addition, Communications staff worked with Policy staff that participated as a sponsor and exhibitor at the Florida Alliance of Community Development Corporations 2012 Summit this month in Tampa.

COMMUNICATIONS

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- c) In order to continue building relationships with affordable housing stakeholders, advocates and providers, Communications staff will participate as an exhibitor at the following annual conferences this year:
- (1) June 18-22-Florida Association of Counties Annual Conference;
 - (2) August 23-25- Florida League of Cities Annual Conference; and
 - (3) September 10-12- Florida Housing Coalition Annual Conference.

FINANCE

Information

III. FINANCE

A. Operating Budget Analysis for February 2012

- a) The Financial Analysis for February 29, 2012, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending February 29, 2012, is attached as [Exhibit B](#).

GUARANTEE PROGRAM

Information

IV. GUARANTEE PROGRAM

A. Status of the Guarantee Program Portfolio

1. Background/Present Situation

- a) Since the implementation of the Guarantee Program in 1993, it has guaranteed 120 transactions, facilitating the construction of over 28,000 housing units in Florida. 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. Of the 79 multifamily developments in the Guarantee Program portfolio today, 53 are Risk-Sharing transactions.
- b) 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 18-year history. The last multifamily claim occurred in April 2010. The chart in Exhibit B reflects the developments that have been foreclosed as of February 29, 2012, listed in chronological order by claim filed date.
- c) As of February 29, 2012, there were no developments in the portfolio in monetary default (due to the borrower's failure to make timely payments on the note) and there are no foreclosures in inventory.

B. Capitalizing Debt and Risk Exposure

1. Background/Present Situation

- a) The global liquidity crisis of 2008 collapsed the market for the variable rate bonds capitalizing the Guarantee Program corpus, ultimately leading staff to restructure the debt, paying off approximately \$89 million and refinancing the remaining \$156.2 million in variable rate bonds to a 5-year term loan with Citibank, closing on December 31, 2009.
- b) At that time, the Guarantee Program's total risk exposure; single-family and multifamily combined, was \$754.5 million. Since then, total risk exposure (Exhibit C, chart "Guarantee Fund Capacity" line item "Total Commitments") has consistently decreased, as reflected below:

Portfolio Risk Exposure

12/31/2009	12/31/2010	12/31/2011	Last Board Meeting (as of 1/31/2012)	This Board Meeting (as of 2/29/2012)
\$754,475,974	\$728,323,576	\$578,754,817	\$578,415,983	\$577,888,610

GUARANTEE PROGRAM

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- c) Management has since aggressively reduced the Guarantee Program capitalizing debt, paying off \$90.2 million on April 20, 2011 and another \$15 million on July 29, 2011, leaving \$51.0 million outstanding.

C. Corpus Investments

1. Background/Present Situation

- a) The Guarantee Fund corpus contains approximately \$210 million in invested capital; approximately \$164 million in a guaranteed investment contract (GIC) with Trinity Funding Company LLC (“Trinity”) and \$46 million in the Florida Treasury.
- b) On April 5, 2012, Moody’s downgraded Trinity’s counterparty rating to “A1”, breaching the minimum rating required by the GIC. Upon receipt of the requisite Notice of Credit Event from Trinity, the Trustee has been instructed to terminate the GIC, with funds to be received by the Trustee shortly thereafter. Staff, with the assistance of the Guarantee Fund financial advisor, is considering reinvestment options, with preference on the Florida Treasury. Staff will provide an update to the Board as events progress.

D. FHFC Actions to Effectively Manage the Guarantee Program ([Exhibit A](#))

E. Guarantee Program Foreclosure Summary ([Exhibit B](#))

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

HOUSING CREDITS

Information

V. HOUSING CREDITS

A. Changes to Construction Features and Amenities and/or Resident Programs

1. Background/Present Situation

- a) The below development has requested, and staff has approved, changes to the Construction Features & Amenities and/or Resident Programs in their Application since the last Board meeting:

Moss Park Apartments f/k/a Town Parke Apartments – Phase I (2009-244C/2010-018CX/2011-027C) has swapped: “Car care area (for cleaning/washing)” (1 point) for “Picnic area with hard cover permanent roof of a design compatible with the Development, open on all sides, containing at least three permanent picnic tables with benches and an adjoining permanent outdoor grill” (1 point). This exchange is of equal point value to the amenities originally chosen in the application.

- b) Staff will amend the EUA.

MULTIFAMILY BONDS

Information

VI. MULTIFAMILY BONDS

A. Changes to Construction Features and Amenities and/or Resident Programs

1. Background/Present Situation

- a) The following developments have requested, and staff has approved, changes to the Construction Features & Amenities and/or Resident Programs in their Application since the last Board meeting:
 - (1) BCC Apartments (2009 Series F) has exchanged “Shuffleboard Court” (2 points) for “Full Basketball Court” (2 points). This exchange is of equal point value to the amenities originally chosen in the application.
 - (2) Hilltop Village Apartments (2009 Series Q) has exchanged “Motion detectors on all outside lighting that is attached to the units” (1 of 10 green building features) for “Energy Star rated reversible ceiling fans in all bedrooms and living areas” (1 of 10 green building features). This exchange is of equal point value to the amenities originally chosen in the application.
- b) Staff will amend the Land Use Restriction Agreements and/or Extended Use Agreements for each of the developments as appropriate.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Information

VII. STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

A. Changes to Construction Features and Amenities and/or Resident Programs

1. Background/Present Situation

- a) The following developments have requested, and staff has approved, changes to the Construction Features & Amenities and/or Resident Programs in their Application since the last Board meeting:
 - (1) Lewis Place at Ironwood (1999-036S) has removed the following sentence from Article II, Section 2.3 of the LURA: "Interior floor coverings will be vinyl in the kitchen, foyer, bathrooms, and carpet throughout the remaining living areas." As this is not a requirement of the Application, there is no point value attributed to this language. Scoring of the Application will remain unaffected.
 - (2) Doral Terrace (1999-082S) has removed the following sentence from Article II, Section 2.3 of the LURA: "Interior floor covering will be vinyl in the kitchen, laundry, and bathrooms, with carpet throughout the remaining living areas." As this is not a requirement of the Application, there is no point value attributed to this language. Scoring of the Application will remain unaffected.
 - (3) Lakeside Park I (RFP 2008-01-06) has exchanged "Gas water heating with an energy factor of .61 or better" (1 point) for "Electric water heater with energy factor of .93 or better" (1 point) and "Marble window sills in all units" (1 point) for "Microwave oven in each unit" (1 point). These exchanges are of equal point value to the amenities originally chosen in the application.
- b) Staff will amend the Land Use Restriction Agreements for the developments as appropriate.

SINGLE FAMILY BONDS

Information

VIII. 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.
- b) Borrowers currently must 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. Through close monitoring of loan performance (i.e. loan delinquency and early payment defaults) and based upon discussions that we have had with our Lender Advisory Board, we find it necessary to make certain program changes that should help strengthen the program and its borrowers. We plan to increase the minimum FICO score requirement to 640. This increased score has already been adopted by many of our participating lenders and this will serve to "level the playing field" for originating our loans. We have also found that the use of co-signors in our program can be abusive, allowing borrowers to purchase more home than they can afford. We are going to eliminate this practice by disallowing co-signors from being used on our loans. One final change that we feel will help ensure a stronger borrower and commitment to long term homeownership is requiring a minimum cash contribution of \$1000 from the borrower's own funds. This cannot be a gift and must be verified on deposit in an account for a minimum of 2 months. All of these changes will take effect when we roll out our next Bond Issue 2011 Series C & 2009 B-5 (Series B-5) in the coming weeks.
- c) 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.
- 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. We have recently received our recertification of the class from DBPR, which is required every three years. We have two upcoming classes in Ft. Myers and Orlando which we will report on in the next Board report.

SINGLE FAMILY BONDS

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- 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 most recent training was conducted on February 15th. We had over 200 loan staff from both new and currently participating lending institutions take part in this webinar. We continue to work with US Bank to convert this training into a 24/7 online educational platform. The ability to quickly and efficiently train new lenders is needed as we have recently begun to accept new applications from lending institutions at any time during the year. This move is in response to the decreased number of approved lending institutions in our program. This reduction has been the result of industry consolidation and attrition that began with the financial meltdown in 2008. Even with fewer lending institutions currently originating loans in our program, 2011 was historically our third highest production year for both number of loans and dollar volume in the First Time Homebuyer Program.
- f) 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 month of February, we received 370 total calls; of which 137 were transferred to the Single Family Staff. In March we received 496 total calls of which 207 were transferred to a First Time Homebuyer specialist. 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.
- g) At the January 27, 2012 meeting, the Board approved the renewal of the Mortgage Credit Certificate (MCC) Program. This program provides qualifying first time homebuyers an ongoing annual tax credit that reduces the amount of taxes owed. This increases disposable income and provides the homeowner more money towards their mortgage payment. MCC's are offered through approved participating lenders and are issued in connection with the lender's in-house fixed rate mortgage product. We anticipate that MCC's will assist borrowers with higher incomes than those who currently use the FTHB Program. We have published our mandatory 90 day public notice and are currently revising and updating program forms, guides, and a new FHFC reservation system. By working with bond counsel and through much research and effort by Program staff, we were able to reduce the cost of publishing the notice from an estimated \$19,500.00 to an actual amount of \$7,436.00. This was accomplished by replacing one very expensive statewide publication with 5 regional, less costly, newspapers that insured statewide coverage. With the later than expected publication date, our Program launch date is now June 1, 2012.

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

SUBORDINATOR MORTGAGE INITIATIVE (SMI)

Information

IX. 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 these 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) \$16,813,982.34 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) It does not appear at this time that these two loans will be closed due to an inability to obtain the required consent of the investment limited partner.
 - (6) As of April 1, 2012, the final disbursement has been made on twenty-four (24) of the thirty (30) loans closed to date. All accrued interest will be due on these loans 24 months after the final disbursement. The loan will then be amortized based on a 20 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. Another loan, Woodbridge Apartments, was paid in full on December 13, 2011. A third loan is expected to be paid in full by May 31, 2012.
- c) 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.

UNIVERSAL CYCLE

Information

X. UNIVERSAL CYCLE

A. 2013 Universal Cycle

1. Background/Present Situation

- a) To solicit comments concerning Rule Chapters 67-21 and 67-48, F.A.C., the 2013 Universal Application cycle and the 2012 Qualified Allocation Plan, a rule development workshop will be held on April 26, 2012.
- b) Staff will continue the rulemaking process by soliciting additional public comments at a second rule development workshop scheduled for June 7, 2012, in Tallahassee, a third rule development workshop scheduled for July 19, 2012, in Coral Gables, and a fourth rule development workshop scheduled for September 6, 2012, in Tampa.