FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
June 8, 2012
Information Items

Florida Housing

Finance Corporation

we make housing affordable

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

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

1. <u>Background/Present Situation</u>

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) Wahneta Palms (2009-147C/2010-028CX) has swapped: "All windows single-pane with shading coefficient of .67 or better" (2 points) for "Double-pane glass on all windows" (2 points). This exchange is of equal point value to the amenities originally chosen in the application.

(2) Dr. Barbara Carey-Shuler Manor (2009-038X) has swapped: "Energy Star rating for all windows in each unit" (1 of 10 green building features) and "Carpet and Rug Institute Green Label certified carpet and pad for all carpeting provided" (1 of 10 green building features) for "Motion detectors on all outside lighting that is attached to the units" (1 of 10 green building features) and "Low VOC paint (less than 50 grams per liter) in all units and common areas" (1 of 10 green building features). This exchange is of equal point value to the amenities originally chosen in the application.

(3) Esmeralda Bay (2009-199C/2010-031CX/2011-012CX) has swapped: "All windows single-pane with shading coefficient of .67 or better" (2 points) for "Double-pane glass on all windows" (2 points). This exchange is of equal point value to the amenities originally chosen in the application.

Staff will amend the appropriate EUAs and/or LURAs for each of the developments, as appropriate.

b) Villa Capri, Phase III (2009-219C/2010-051X/2009-510C) Extended Use Agreement states the three bedroom units contain three baths; however, the three bedroom units contain two baths. This is a scrivener's error in the credit underwriting report. Staff has amended the EUA.

c) Wahneta Palms (2009-147C/2010-028CX) Extended Use Agreement states 64 garden apartment units located in 14 residential buildings. However, there are 16 townhouse units and 48 garden apartment units located in 14 residential buildings. Staff will amend the EUA.

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 Courier

(10) Florida Current

(11) Florida Times Union Newspaper

(12) Florida Today Newspaper

(13) Florida Trend

(14) Fox News

(15) Herald Tribune Newspaper

(16) Highlandstoday.com Online

(17) Housingwire.com Online

(18) Miami Herald Newspaper

(19) Mortgageorb.com Online

(20) News Channel 5 (online)

(21) News-Press Newspaper in Fort Myers

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(22) News 13 Online

(23) New York Times

(24) NorthEscambia.com Online

(25) Ocala.com Online

(26) Ocala Star Banner Newspaper

(27) Orlando Sentinel

(28) Palm Beach Post

(29) Pensacola News Journal Newspaper

(30) RealEstateRama.com Online

(31) Stateline.org Online

(32) St. Augustine Record Newspaper

(33) St. Pete Times Newspaper

(34) Sun-Sentinel Newspaper

(35) Tampa Bay Times Online

(36) TCPalm.com Online

(37) Tomrollins.com Online

(38) Treasury Notes

(39) Watchdog

(40) WBBH Channel 2 Charlotte County

(41) WCTV

(42) WDEF News Channel 12 online wdef.com

(43) WEAR Channel 3 Pensacola

(44) WESH 2 News Orlando

(45) WFTV News Orlando

(46) WJXT Channel 9 Jacksonville

(47) WOFL Channel 35 Lake Mary

(48) WPTV Channel 5 West Palm Beach

(49) WTVT Channel 13 Fox Tampa

(50) WUFT 89 FM Radio Gainesville

(51) WZVN ABC Channel 7 Fort Myers

b) Communications staff, in conjunction with HHF staff, continues to participate in statewide event to publicize, and increase homeowner applications for and participation in the Florida HHF program.

c) Bank of America (BoA) scheduled several Florida cities for its Mortgage Outreach events, which will continue through the spring and summer months. The most recent event was held in Miami. HHF Advisor Agencies were on-site to perform intake and initial eligibility screenings for BoA borrowers who may qualify for assistance. Bank of America also hosted seven mobile tour events, for which Communications staff coordinated HHF Advisor Agency participation.

d) In anticipation of the implementation of revisions to the eligibility criteria and program benefits for the Florida HHF, Florida Housing is making plans to perform on-site approval and underwriting for qualified BoA borrowers at the Mortgage Outreach event to be held in Cape Coral, Florida, June 11-13. HHF staff (Communications and Program) will be at the event to support this effort. Communications staff, specifically, will take the lead in informing applicants about the program revisions and performing pre-screenings on possible applicants.

e) Four (4) more BoA events have been scheduled and Florida Housing will continue to support these events.

B. Corporate Marketing/Outreach

1. <u>Background/Present Situation</u>

a) Communications staff continues to work on a plan of action to revamp the corporate newsletter, *What's Developing,* and expect to have the new version of the newsletter ready later this year.

b) Also, Communications, at the direction of the Homeownership Development office, has developed marketing materials for the Mortgage Credit Certificate Program (MCC). The program became available in June 2012.

c) In an effort to continue building relationships with affordable housing advocates, providers and stakeholders, Communications staff will be participating 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

(3) September 10-12—Florida Housing Coalition Annual Conference

III. FISCAL

A. Operating Budget Analysis for April 2012

1. <u>Background/Present Situation</u>

a) The Financial Analysis for April 30, 2012, is attached as Exhibit A.

b) The Operating Budget for the period ending April 30, 2012, is attached as Exhibit B.

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 78 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 April 30, 2012, listed in chronological order by claim filed date.

c) As of April 30, 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 2/29/2012)	This Board Meeting (as of 4/30/2012)
$754,475,974	**$728,323,576**	**$578,754,817**	**$577,888,610**	**$562,410,812**

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. <u>Background/Present Situation</u>

The Guarantee Fund corpus contains approximately $211 million in invested capital, all of which is currently invested in the Florida Treasury, Special Purpose Investment Account (SPIA), rated "A+f" by Standard & Poor's as of July 13, 2011.

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**)

V. MULTIFAMILY BONDS

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

1. <u>Background/Present Situation</u>

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) The Villas at Lake Smart (2002 Series P) has removed the following sentenced from Section 2.(f)(3) of the LURA "Interior floor coverings will be vinyl in the foyer, kitchen, and laundry: ceramic tile in the 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.

(2) Seminole Ridge (1999 Series O) has removed the following reference from Section 2.(f)(3) of the LURA "gated entrance." 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.

b) Staff will amend the Land Use Restriction Agreements and/or Extended Use Agreements for each of the developments as appropriate.

VI. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

1. <u>Background/Present Situation</u>

a) Florida Housing continues to honor our commitment to have funds continuously available for qualifying homebuyers through our First Time Homebuyer (FTHB) 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.

b) Borrowers must now have a minimum 640 FICO score and complete a 6-8 hour face-to-face homebuyer education class in order to qualify for assistance through our FTHB Program. Our recent increase in credit score requirement had already been adopted by many of our participating lenders. This change will serve to "level the playing field" for lenders originating our FTHB loans. 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 found it necessary to make additional program changes that should help strengthen the program and its borrowers. We have eliminated the use of co-signors because we found that their use can be abusive, allowing borrowers to purchase more home than they can afford. One final change that we think will help ensure a stronger borrower and commitment to long term homeownership is requiring a minimum cash contribution to the loan of $1000 from the borrower's own funds. These funds cannot be a gift and must be seasoned and verified on deposit in an account for a minimum of 2 months. All of these changes became effective May 1st, when we rolled out our newest bond issue, 2011 Series C & 2009 B-5 (Series B-5).

c) Florida Housing offers qualified homebuyers two down payment 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 recently conducted classes in Ft. Myers and Orlando where we had a total of 70 Realtors attend these classes to learn about our First Time Homebuyer Program and our upcoming Mortgage Credit Certificate Program.

d) 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 120%, adjusted for family size. Another recent change was the increase of the Florida Assist income limits to 120% AMI, up from 100% AMI, as permissible by the Florida Statutes. Homeowner Assistance for Moderate Incomes (HAMI) serves households 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.

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. 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 lenders at any time during the year. This move is in response to the decreased number of participating lenders 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 lenders 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 April, we received 471 total calls; of which 199 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.

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. Our Program launch date is set for June 1, 2012.

B. Single Family Bonds Information (<u>Exhibit A</u>)

VII. SINGLE FAMILY BONDS - FINANCE

A. Single Family Bonds – Finance

1. Background/Present Situation

a) Florida Housing closed the last New Issuance Bond Program ("NIBP") bond issuance on November 3, 2011. This sale produced an attractive bond yield of 2.73053%. The current market for selling tax exempt mortgage revenue bonds continues to remain unattractive relative to the mortgage backed securities ("MBS") market. Market indications as of May 15, 2012, show that a bond yield of 3.399% and an approximate 4.695% mortgage rate would be produced in this market climate.

b) On March 13, 2009, the Board approved the use of the To Be Announced ("TBA") market for selling MBS. The prices for an MBS sale are attractive and exceed the benefit of settling these MBS in the bond issue.

c) Florida Housing has sold over $59mm of MBS in the market this year for a weighted average price of 107.68%.

d) Below is a chart of all sales completed in 2012:

Date	Amount of Sale	Price Sold
1/12/2012	$ 17,937,245.00	106.94%
1/23/2012	$ 4,179,209.00	107.31%
1/30/2012	$ 1,893,531.00	107.13%
2/21/2012	$ 6,337,294.00	107.56%
2/27/2012	$ 7,206,406.00	107.91%
4/30/2012	$ 4,721,925.00	108.06%
5/7/2012	$ 5,078,438.00	108.22%
5/14/2012	$ 4,517,249.00	108.52%
5/21/2012	$ 7,494,896.00	108.61%
TOTAL	**$ 59,366,193.00**	
Weighted Average Price	**107.68%**	

VIII. 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. One SMI loan, Woods of Vero, received SAIL/ELI funding, reducing the first mortgage balance. The three remaining SMI disbursements for Woods of Vero were reduced accordingly, reducing its SMI loan by $14,116.97, effectively reducing the amount closed to date to $17,820,192.04.

(3) $17,108,284.30 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 May 1, 2012, the final disbursement has been made on twenty-five (25) 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. Another loan, Woodbridge Apartments, was paid in full on December 13, 2011. A third loan, Spring Harbor Apartments, was paid in full on May 21, 2012.

c) Since the inception of the Subordinated Mortgage Initiative only one developer, Shelter Corporation, involving two SMI loans, Venetian Isles I and Venetian Isles II, 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.