

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
November 1, 2013
Information Items



AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Information

I. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

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

1. Background/Present Situation

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

Labre Place (2009-063CTX/2006-074CS) has revised the unit mix:

Original:

90 One bedroom/one bath units containing a minimum of 570 square feet of heated and cooled living area.

90 Total Units

Revised:

89 One bedroom/one bath units containing a minimum of 575 square feet of heated and cooled living area.

1 studio unit containing a minimum of 570 square feet of heated and cooled living area

90 Total Units

- b) Staff will amend the Extended Use Agreement and/or Land Use Restriction Agreement for the development as appropriate.

COMMUNICATIONS

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II. COMMUNICATIONS

A. Hardest-Hit Fund (HHF)

1. Background/Present Situation

a) Since the implementation of the Florida Hardest-Hit Fund programs (both unemployment and principal reduction programs), Florida Housing has received press on the program in the following media outlets (including print, broadcast and Internet): **Bold** signifies new coverage.

- (1) ABC 13 (WMBB.com)
- (2) **ABC 25**
- (3) Active Rain Blog
- (4) Associated Press
- (5) Bay News 9 Tampa
- (6) Before It's News Blog
- (7) Boston Today Newspaper
- (8) Bradenton Herald Newspaper
- (9) CBS 4 in Miami
- (10) CBS 12 News
- (11) Charlotte Sun
- (12) CitrusDaily.com Online
- (13) Clay Today Newspaper
- (14) **Crestview Bulletin**
- (15) The Current
- (16) Daily Record
- (17) Daytona News-Journal Newspaper
- (18) eCreditDaily
- (19) First Coast News.com Online
- (20) Florida Courier
- (21) Florida Current
- (22) Florida.newszap.com
- (23) Florida Times Union Newspaper
- (24) Florida Today Newspaper
- (25) Florida Trend
- (26) 4 Closure Fraud Blog
- (27) Fox News
- (28) Free-Press-Release.com

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- (29) GreenvilleOnline.com
- (30) Herald Tribune Newspaper
- (31) Highlandstoday.com Online
- (32) Hispanic Business
- (33) Housingwire.com Online
- (34) Huffington Post
- (35) **Kansas City Star**
- (36) Lakeland Ledger
- (37) Lobby Tools
- (38) Matt Widner's Foreclosure News
- (39) Media Advisory – US Senate
- (40) Miami Herald Newspaper
- (41) Mortgageorb.com Online
- (42) **Naples News**
- (43) News Channel 5 (online)
- (44) News Chief
- (45) News-Press Newspaper in Fort Myers
- (46) News Service of Florida
- (47) News 13 Online
- (48) News Vine
- (49) New York Times
- (50) NorthEscambia.com Online
- (51) Ocala.com Online
- (52) Ocala Star Banner Newspaper
- (53) Orlando Sentinel
- (54) Palm Beach Post
- (55) Panama City News Herald
- (56) Pensacola News Journal Newspaper
- (57) RealEstateRama.com Online
- (58) **The Record**
- (59) The Republic
- (60) Reuters Newspaper
- (61) San Francisco Chronicle
- (62) Stateline.org Online
- (63) St. Augustine Record Newspaper
- (64) St. Pete Times Newspaper

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- (65) Sun-Sentinel Newspaper
- (66) Sunshine State News
- (67) Tallahassee Democrat
- (68) Tampa Bay Times Online
- (69) Tampa Tribune
- (70) TCPalm.com Online
- (71) The Times (www.nwtimes.com)
- (72) Tomrollins.com Online
- (73) Treasury Notes
- (74) Tweet - @Framabama
- (75) Tweet – Troy Kinsey @TroyKinsey
- (76) Tweet – Peter Schorsch @SaintPetersblog
- (77) WAND 17
- (78) Watchdog
- (79) WBBH Channel 2 Charlotte County
- (80) WCTV – Action 9
- (81) WDEF News Channel 12 online wdef.com
- (82) WEAR Channel 3 Pensacola
- (83) Weidner Law Blog
- (84) WESH 2 News Orlando
- (85) **Western Orlando News Online**
- (86) WFOL Orlando
- (87) WFSU
- (88) WFTV News Orlando
- (89) **WGCU**
- (90) WINK Ft. Myers News
- (91) Winter Haven News Chief
- (92) WJXT Channel 9 Jacksonville
- (93) WLRN Miami Herald News
- (94) WMBB
- (95) WOFL Channel 35 Lake Mary
- (96) WPEC Palm Beach TV
- (97) WPTV Channel 5 West Palm Beach
- (98) **WTSP**
- (99) WTVT Channel 13 Fox Tampa
- (100) WTXL Tallahassee TV

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- (101) WUFT 89 FM Radio Gainesville
- (102) WZVN ABC Channel 7 Fort Myers

- b) The Principal Reduction (HHF-PR) program was announced at the Board meeting held in Coral Gables on Friday, September 20, with the online application opening at 9:00 a.m. on Wednesday, September 25. Public relations efforts coordinated by the Communications office resulted in 51 published media hits (including those listed above). Communications staff monitored the application process and provided twice daily updates to the media. Additionally, Communications, Internal Audit and HHF program handled inquiries to the application website and referrals from the toll-free HHF Information Line.
- c) Communications staff is working with HHF staff on the Elderly Mortgage Assistance Program (ELMORE). Florida Housing is coordinating with Fannie Mae and the Florida Department of Elder Affairs on the launch of the program and collateral outreach materials. The announcement of the program is set for the last week in October.

B. Corporate Marketing/Outreach

1. Background/Present Situation

- a) Communications is currently working on the third quarter *What's Developing* external newsletter that is scheduled to be distributed in late October. The newsletter showcases affordable housing success stories from throughout the state, as well as program updates (single family/multifamily), legislative updates, housing policy, foreclosure prevention, and groundbreakings/ribbon-cuttings. It is distributed to employees, stakeholders and affordable housing advocates.
- b) Communications staff also is working with Special Programs on the marketing and public relations for the Making Home Affordable Outreach and Intake Program. The program webpage featuring online PSAs in English and Spanish, and a list of participating local housing counseling agencies statewide will debut on Florida Housing's website, this month, in conjunction with radio ads statewide.
- c) In an effort to sustain important relationships with affordable housing advocates and providers, Communications staff participated in the Florida Housing Coalition Annual Conference in Orlando in September and attended the National Council of State Housing Agencies (NCSHA) Annual Conference in New Orleans last in October.

C. Business Continuity

1. Background/Present Situation

Business Continuity staff is currently reviewing and updating the Corporation's business continuity plan, call trees, disaster and evacuation procedures, and other materials to ensure Florida Housing is prepared to continue important business functions in the instance of any emergency situation, both natural and man-made. Exercises to test the emergency processes/business recovery are planned for early 2014.

FISCAL
Information

III. FISCAL

A. Operating Budget Analysis for August 2013

1. Background/Present Situation

- a) The Financial Analysis for August 31, 2013, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending August 31, 2013, 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 58 multifamily developments in the Guarantee Program portfolio today, 42 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 September 30, 2013, listed in chronological order by claim filed date.
- c) There are no foreclosures in inventory and no developments in monetary default (due to the borrower's failure to make timely payment on the note) in the portfolio. The one monetary default, Colony Park, reported as of the last Board meeting was subsequently cured; the mortgage arrearage paid in full.

GUARANTEE PROGRAM

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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, in keeping with the Board's mandate to cede risk from the portfolio, total risk exposure (as reflected in Exhibit C, chart "Guarantee Fund Capacity", line item "Total Commitments") has been reduced by more than half, as reflected below:

Portfolio Risk Exposure

| 12/31/2009 | 12/31/2010 | 12/31/2011 | 12/31/2012 | As of 9/30/2013 |
|---------------|---------------|---------------|---------------|-----------------|
| \$754,475,974 | \$728,323,576 | \$578,754,817 | \$468,471,463 | \$370,104,596 |

- c) Furthermore, Management 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. On December 21, 2012, the remaining balance of \$51.0 million was paid in full, reducing the Guarantee Fund's capitalizing debt to zero (\$0).

C. Corpus Investments

1. Background/Present Situation

The Guarantee Fund corpus contains approximately \$167.3 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 August 31, 2013.

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](#))

MULTIFAMILY BONDS

Information

V. 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 and Amenities and/or Resident Programs in their Applications since the last Board meeting:

- (1) Georgia Ayers (2012 Series A, HC 2011-515C) has requested to replace “Outside recreation facility – volleyball court” (2 points) with “Outside recreation facility – shuffleboard court” (2 points). In addition, the Applicant has requested to replace the Green Building feature “Energy Star rating for all windows in each unit” with “Low VOC point (less than 50 grams per liter) in all units and common areas.” Scoring of the Application will remain unaffected.
- (2) Tuscany Pointe Apartments fka Horizon Place (2005 Series D) has requested to remove a laundry facility and replace with a washer and dryer in each unit. The Owner has also requested to remove racquetball courts and replace with a larger fitness area. The unit mix has changed as follows:

(a) Original Unit Mix

76 One bedroom/one bath containing a minimum of 570 square feet of living area

76 One bedroom/one bath containing a minimum of 746 square feet of living area

38 One bedroom/one bath plus den containing a minimum of 915 square feet of living area

14 two bedroom/one bath containing a minimum of 915 square feet of living area

100 two bedroom/two bath containing a minimum of 1,080 square feet of living area

MULTIFAMILY BONDS

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(b) Revised Unit Mix

76 One bedroom/one bath containing a minimum of 570 square feet of living area

76 One bedroom/one bath containing a minimum of 746 square feet of living area

38 Two bedroom/one bath containing a minimum of 915 square feet of living area

14 Two bedroom/one bath containing a minimum of 915 square feet of living area

100 Two bedroom/two bath containing a minimum of 1,080 square feet of living area

- b) Staff will amend the Land Use Restriction Agreement and/or Extended Use Agreement for the developments as appropriate.

SINGLE FAMILY BONDS

Information

VI. 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 (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) Over the last 2-3 years we have seen higher credit standards imposed on homebuyers by the Agencies (FHA, Fannie, Mae, and Freddie Mac), our Master Servicer U.S. Bank, and our participating lenders. We try to balance the needs of our First Time Homebuyers with sensible credit requirements. Our Program currently requires borrowers to have a minimum 640 FICO score and complete a 6-8 hour homebuyer education class in order to qualify for assistance. We do not allow the use of co-signors because we have found in the past that their use can be abusive, allowing borrowers to purchase more home than they can afford. We require a minimum cash contribution to the loan of \$1000 from the borrower's own funds. These funds can be a gift as allowed by FHA. Additionally we limit a borrower's maximum debt ratio to 45%. As expected, these changes implemented in 2012 have impacted Program loan origination volume. Our loan production for 2012 totaled 2,187 loans purchased with a first mortgage volume of \$213.7 million. Thus far in 2013, our lenders have originated 1116 loans with a first mortgage volume of \$118.7 million. We have recently implemented several program changes that we expect will have a positive impact on loan originations. These changes include an increase in available down payment assistance from \$7500 to \$10,000 and a 50 basis point increase in allowable lender compensation. We are also advocating the reduction in program interest rates to a level 25 bps below current 30 year FHA mortgage rates.
- c) Florida Housing offers qualified homebuyers two down payment and closing cost assistance (DPA) programs in the form of second mortgage loans. Borrowers may only use one program in conjunction with their first mortgage. Florida Assist is a 0% deferred payment \$10,000 second mortgage that serves homebuyers with an area median income (AMI) of up to 120%, adjusted for family size. As mentioned above, we have recently increased this program to its current funding level to help offset rising home prices and closing costs for our first time homebuyers. We have had a very positive response to this change from both our lender and Realtor partners. Homeowner Assistance for Moderate Incomes (HAMI) serves higher income 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. They are also repayable when our first mortgage is satisfied. HUD has recently issued a new Mortgagee Letter

SINGLE FAMILY BONDS

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that has allowed us to return to our former DPA funding model. Under this model, our participating lenders table-fund both the first and second mortgages and are reimbursed at purchase by US Bank. We no longer are required to wire the second mortgage proceeds to closing as we had to do during this time period. The lender funded model is much more efficient in making sure there is a timely delivery of funds for their loan closings.

- d) Our Mortgage Credit Certificate (“MCC”) Program has begun to generate greater lender interest and participation due in part to specialized in-person training classes being conducted by Program Staff. We have held in-person classes for several of our participating lenders. We have seen MCC volume increase substantially as a result of these trainings. Currently we have 38 approved lenders who have each paid a \$750 participation fee to Florida Housing. We are still soliciting our existing group of approved FTHB lenders to participate in this affordable housing program while also recruiting smaller lenders who might not otherwise qualify for FTHB Program participation. We have issued 102 MCC’s to qualified first time homebuyers. We have an additional 107 reservations in the pipeline. As we anticipated, the borrowers utilizing the MCC Program are purchasing higher priced homes (\$158,748 average purchase price) and have a higher average household income (\$53,201) than our FTHB borrowers in our current 2013 Bridge Program. We charge a \$500 issuance fee for each MCC.
- e) Single Family Program Staff continues to offer 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. Realtors who attend these classes receive a general 3 hour CE credit while learning about our First Time Homebuyer Program, our Mortgage Credit Certificate Program, and other affordable housing programs available to their potential homebuyers. We strive to market to large groups such as Realtors and Lenders statewide to maximize the benefit of our time and travel and to help others learn about the resources available through our programs.
- 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. Callers are able to receive information through pre-recorded information that directs them to our First Time Homebuyer Wizard tool, which is located on our website. Those callers that have additional questions are transferred to Single Family Staff for assistance.

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

SUBORDINATED MORTGAGE INITIATIVE (SMI)

Information

VII. 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, of which \$17,557,032.82 has been disbursed as of October 11, 2013.
 - (3) One SMI loan, Woods of Vero, received SAIL/ELI funding prior to the final disbursement under the SMI loan. The SAIL/ELI loan reduced the first mortgage balance; as a result 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.
 - (4) Two (2) loans, representing two different developers, approved in the total amount of \$665,000, have yet to be closed. 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.
 - (5) 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.
 - (6) As of October 11, 2013, fifteen (15) loans have been paid in full totaling \$8,154,341.89.

SUBORDINATED MORTGAGE INITIATIVE (SMI)

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- (7) Currently the loan to Grande Pointe Apartments (SMI #13) is in default due to Wells Fargo Bank's (the owner/borrower/limited partner) failure to pay the balloon interest payment due September 1, 2013 in the amount of \$101,792.49, not including accrued late charge and default interest. Staff negotiations with Wells Fargo Bank for resolution are ongoing.