

Florida Housing Finance Corporation

Credit Underwriting Report

Sable Chase Subdivision

HOME HH02-005

Section A Board Summary

Section B Loan Commitment Conditions

Section C Supporting Information and Schedules

Prepared by

Seltzer Management Group, Inc.

Final Report

January 9, 2004

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT

NAME: SABLE CHASE SUBDIVISION

DATE: JANUARY 9, 2004

In accordance with Rule Chapter 67-50, F.A.C. the Applicant is required to submit the information to evaluate, complete, and determine its sufficiency in satisfying the requirements for Credit Underwriting to the Credit Underwriter in accordance with the schedule established by the FHFC. The following items must be satisfactorily addressed. "Satisfactorily" means that the Credit Underwriter has received assurances from third parties unrelated to the Applicant that the transaction can close within the allotted time frame. Unsatisfactory items, if any, are noted below and in the "Issues and Concerns" section of the Executive Summary.

CREDIT UNDERWRITING	STATUS	NOTE
REQUIRED ITEMS:	Satis. / Unsatis.	
1. Identity of applicant (officers/general partners, limited partnership, not-for-profit) and principals, and legal documentation creating the applicant entity.	Satis.	
2. Résumés and experience of applicant, general contractor, and management agent.	Satis.	
3. Copy of marketing plan.	Satis.	
4. Location map identifying site and reflecting commercial facilities, schools, and competitive developments.	Satis.	
5. Final plans and specifications.	Satis.	
6. Final site plan.	Satis.	
7. Evidence of site control (recorded deed – executed contract).	Satis.	
8. Survey.	Satis.	
9. Permits (letter from the local government providing the status of the permits will suffice at this time).	Satis.	
10. Evidence of availability of utilities.	Satis.	
11. Evidence of concurrency.	Satis.	
12. Evidence of appropriate zoning.	Satis.	
13. Environmental Site Assessment – Phase I. If the report is not dated within one year of the application date, an update from the assessor must be provided indicating the current environmental status.	Satis.	
14. Appraisal. A complete appraisal must be received by the credit	Satis.	

underwriter in order to complete credit underwriting.		
15. Financial statements compiled or reviewed in accordance with SSARS No. 1, for the most recent fiscal year ended. If not available, unaudited financial statements prepared within the last 90 days and the two most recent years tax returns.	Satis.	
16. Bank and business references; credit authorizations; verifications of deposits and mortgage loans.	Satis.	
17. Sources and uses of funds	Satis.	
18. Sales and expense projection.	Satis.	
19. Feasibility study/market study.	Satis.	
20. Cover letter outlining terms of financing requested.	Satis.	
21. Credit Underwriting fee. (Payable by FHFC)	Satis.	
22. Commitment letter(s) for other financing sources (construction and permanent)	Satis.	
23. Executed general construction contract with "not to exceed" costs.	Satis.	

Revised 10/26/98

NOTES AND APPLICANT'S RESPONSES:

None

CHANGES FROM THE APPLICATION

COMPARISON CRITERIA	YES	NO
Does the level of experience of the current team equal or exceed that of the team described in the application?	X	
Are all funding sources the same as shown in the Application?		1
Are all local government recommendations/contributions still in place at the level described in the Application?	X	
Is the Development feasible with all amenities/features listed in the Application?	X	
Do the site plans/architectural drawings account for all amenities/features listed in the Application?	X	
Does the Applicant have site control at or above the level indicated in the Application?	X	
Does the Applicant have adequate zoning as indicated in the Application?	X	
Have the Development costs remained equal to or less than those listed in the Application?		2
Is the Development feasible using the set-asides committed to in the Application?	X	
If the Development has committed to serve a special target group (e.g. elderly, farm worker, fishing worker, single head of household, etc.), do the development and marketing plans contain specific provisions for implementation?	N/A	
Is the Development in all other material respects the same as presented in the Application?		3

1. The original lending institution submitted with the application was Atlantic States Bank, the developer changed funding sources to Citrus Bank due to more appealing terms and conditions. SMG sees no material issues or concerns with this change. The Applicant increased deferred developer fee by \$194,994, and is deferring \$125,018 of GC fees. These increases were necessary due to cost increases as outlined in Note 2.
2. Total project costs increased by \$873,087. This increase is due to the following:
 - Test borings performed at the site revealed loose sand to a depth of 7 feet, which requires significantly more site prep before actual construction can begin.
 - Due to the elevation of the site, a substantial amount of sanitation sewer piping has to be installed to facilitate the necessary gravitation needed to sufficiently service this project. This also required the removal of a neighborhood street and the subsequent re-installation of that street.
 - Due to a plat condition, the Florida D.O.T. requires off-site improvements along Powerline Road, which equates to installation of a bus bay and a turning lane.

- The City of Pompano Beach also requires the construction of a 6-foot high concrete wall to buffer the noise created by traffic along Powerline Road.
3. The applicant originally proposed building 50 units consisting of 15 two bedroom/two and half bath and 35 three bedroom/two and half bath units with estimated sales prices of \$105,000 and \$111,000, respectively; based on a revised unit mix the applicant is now proposing to build 50 units consisting of three different models. These models consist of 18 two bedroom/two bath, 18 three bedroom/two and half bath, and 14 three bedroom /two bath models; with estimated sales prices increasing to \$126,508, \$137,184, and \$125,320, respectively. The increased sales prices coincide with the increased project costs as described in note 2.

Section A
Board Summary

Executive Summary

This is a Home Investment Partnerships Program ("HOME") Construction Loan Credit Underwriting Report for the Sable Chase Development, a proposed new construction development to be located in Pompano Beach, Broward County, Florida. The development will consist of nine town home buildings, housing 50 units, all within the Sable Chase Subdivision. Sale of all the homes and construction completion is expected within 28 months after closing.

Ownership Structure:

DFC Homes of Florida, Inc. ("DFC") is a Florida for-profit corporation formed to promote homeownership by low and moderate-income persons by developing affordable financing, construction and development opportunities in Florida.

DFC was formed in 2001 and is acting as the developer and contractor of the Sable Chase Subdivision its ownership structure is comprised of Kenny M. Davis, as President/Treasurer (50%), and Michele B. Davis (his wife), as Vice President/Secretary (50%).

DFC Mortgage Services, Inc. (permanent loan financing) is a Florida for-profit corporation formed in 1997, its ownership structure is comprised of Kenny M. Davis, as President/Treasurer (50%), and Michele B. Davis (his wife), as Vice President/Secretary (50%).

Title Exchange of Florida, Inc. (provider of Title Insurance) is a Florida for-profit corporation formed in 1999, its ownership structure is comprised of Kenny M. Davis, as President/Treasurer (50%), and Michele B. Davis (his wife), as Vice President/Secretary (50%).

Realty Exchange Network, Inc. (acting as Real Estate agent/broker) is a Florida for-profit corporation formed in 1999, its ownership structure is comprised of Kenny M. Davis, as President/Treasurer (50%), and Michele B. Davis (his wife), as Vice President/Secretary (50%).

The applicant has sufficient experience to complete a development of this type.

HOME Loan:

The applicant has applied for a \$1,325,000 HOME Construction loan to be issued by the Florida Housing Finance Corporation ("FHFC" or "Florida Housing") to finance this development.

The HOME Construction loan must be disbursed prorata with other construction loan funds.

The HOME Construction loan will have a 5-year term. The loan will be non-amortizing and will bear an interest rate of 3%. Interest due on the loan will be accrued and paid quarterly, with principal and accrued interest paid on a prorated basis at the sale of each home. At maturity, all unpaid principal and accrued interest is due. A portion of the HOME Construction loan may be converted to HOME Permanent Loans to qualified homebuyers.

Other Construction Financing Sources:

Additional sources of funds for this development during the construction period includes a first mortgage acquisition and development loan from Citrus Bank ("Citrus"), a Revolving Line of Credit from Citrus, a Broward County SHIP Grant, Deferred GC Fees, and Deferred Developer Fees.

The applicant has received a commitment, dated August 1, 2003, on a \$985,000 first mortgage acquisition/development loan from Citrus. The loan will require payments of interest only during the construction period. The interest rate for the Citrus loan is the Wall Street Journal Prime Rate plus 1%, floating on a daily basis with a floor of 5.75%. SMG has calculated the construction period debt service based upon an interest rate equal to 1% above the bank prime rate as posted on WallStreetJournal.com. The calculation is also based on a 28-month construction period, with an average outstanding loan balance of \$985,000 during construction, representing three buildings under construction at any given time housing a total of 17 units.

The applicant has received a commitment, dated August 1, 2003, on a \$1,100,000 Revolving Line of Credit from Citrus. The line of credit has an aggregate rollover potential of \$3,300,000. The loan will require payments of interest only during the construction period. The interest rate for the Citrus loan is the Wall Street Journal Prime Rate plus 1%, floating on a daily basis with a floor of 5.75%. SMG has calculated the construction period debt service based upon an interest rate equal to 1% above the bank prime rate as posted on WallStreetJournal.com. The calculation is also based on a 28-month construction period, with an average outstanding loan balance of \$1,100,000 during construction, representing three buildings under construction at any given time housing a total of 17 units.

The City of Pompano Beach is providing a \$175,000 SHIP grant through Broward County to defray the cost of pre-development expenses associated with the Sable Chase Subdivision. These funds are a direct grant and therefore require no repayment.

The General Contractor, DFC Homes of Florida, Inc., has committed to the deferral of \$125,018 during the construction of the homes.

The Developer DFC Homes of Florida, Inc., has committed to the deferral of \$590,914 during the construction of the homes.

Permanent Financing Sources:

Sources of funds for this development during the permanent period include first mortgage permanent loans, HOME Permanent Loans, and Homebuyer's Equity.

The applicant has received a firm commitment from DFC Mortgage Services, Inc. to provide permanent financing. Loan terms include a term of thirty years, with payments based on a 30-year amortization schedule and a fixed interest rate equal to market. The loan amount will be based on a combined LTV at or below 105%.

A portion of the HOME Construction Loan may be converted into a Permanent Loan. HOME Permanent Loans are second mortgage loans to the homebuyer that bear a 0% interest rate, and are non-amortizing with principal deferment until maturity. Principal payments on the HOME

Permanent Loan shall be deferred until the first to occur of the following events causing the loan to mature: borrower sells, transfers or disposes of the home either voluntarily or involuntarily, the borrower fails to or ceases to occupy the home as a principal residence. The HOME Permanent Loan shall be limited to the lesser of 25% of the purchase price of the home or the amount necessary to enable the purchaser to meet credit underwriting criteria. Proceeds of the HOME Permanent Loan may be used only to assist with down payment and closing cost expenses, and/or to reduce the principal amount of the first mortgage to each homebuyer.

The City of Pompano Beach is providing a \$3,500 SHIP grant to each homebuyer through Broward County to defray the cost of pre-development expenses associated with the Sable Chase Subdivision. These funds are a direct grant and therefore require no repayment.

The developer is requiring potential homebuyers to provide a 3% down payment calculated on the sales prices of the model selected. SMG believes this to be a reasonable request.

Additional Information: None

Issues and Concerns: As stated above, many of the entities involved in this transaction are related parties. This can be cause for concern; however, the developer ("DFC") has successfully developed properties in the past utilizing this same structure. These properties were built utilizing FHFC programs and remain in good standing. As a result, SMG believes this transaction should be approved as it currently is presented.

Recommendation:

SMG recommends a \$1,325,000 HOME loan for the construction of this development.

This recommendation is based upon the assumptions detailed in the Board Summary (Section A) and subject to the Loan Conditions outlined in the Loan Commitment Conditions (Section B). The reader is cautioned to refer to these sections for complete information.

Prepared by:

Reviewed by:



Richard G. Crogan
Credit Underwriter

Don Jackson
Credit Underwriter

Sable Chase Subdivision

HOME HH02-005

HOME Loan Recommendation:

<u>Development Type</u>	<u>Set Aside</u>	<u>Set Aside Term</u>
New Construction	100% at 80% of AMI or below	As per Rule 67-50, F.A.C.
<u>Target Area</u>	<u>Mortgagor</u>	<u>Principal</u>
QCT/DDA	DFC Homes of Florida, Inc.	Mr. Kenny Davis, President
<u>Developer</u>	<u>General Contractor</u>	<u>First Mortgage Construction Lender</u>
DFC Homes of Florida, Inc.	DFC Homes of Florida, Inc.	Citrus Bank
<u>Average Home Sales Price</u>	<u>Average Appraised Value of a Completed Home</u>	<u>Total Development Cost</u>
\$130,019	\$136,667	\$6,500,932

Home Sales Prices and Set-Aside

County: Broward

Model	Beds	Baths	No. of Homes	Set-Aside	Home Size (SF)	Total Sq. Ft.	Developer Sales Price ¹	Appraised Value	Sales Price Limits	Total Gross Sales
Model C	2	2	18	80%	1,201	21,618	\$126,508	\$134,000	\$144,336	\$2,277,139
Model B	3	2.5	18	80%	1,426	25,668	\$137,184	\$140,000	\$144,336	\$2,469,307
Model D	3	2	14	80%	1,239	17,346	\$125,320	\$136,000	\$144,336	\$1,754,486
Totals			50			64,632				\$6,500,932

¹Based on estimates provided by the developer

Construction Sources of Funds

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
First Mortgage	Citrus Bank	\$3,731,845	\$649,911	\$985,000	5.75%	\$43,611
First Mortgage	Citrus Bank	\$0	\$3,034,013	\$3,300,000	5.75%	\$10,753
HOME Funds	FHFC	\$1,325,000	\$1,324,920	\$1,325,000	3.00%	\$30,608
SHIP Funds	COPD	\$175,000	\$175,755	\$175,000		
Equity Contribution	DFC Homes	\$0	\$334,463	\$0		
Deferred GC Fee	DFC Homes	\$0	\$390,876	\$125,018		
Deferred Developer Fee	DFC Homes	\$396,000	\$590,994	\$590,914		
Total		\$5,627,845	\$6,500,932	\$6,500,932		\$84,971

Ratios

<u>Average Appraised Value of a Typical Unit Upon Completion</u>	<u>Appraised Value of Typical Lot</u>	<u>Total Average Cost Per Unit</u>
\$136,667	N/A	\$130,019
<u>HOME Construction Loan To Cost¹</u>	<u>HOME Construction Loan Per Unit¹</u>	<u>FHFC Assistance Per Unit¹</u>
20.38%	\$26,500	\$26,500

¹Based on the recommended HOME loan amount

Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
First Mortgage	Citrus Bank	\$3,731,845	\$649,911	\$985,000	5.75%	\$43,611
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Equity Contribution	DFC Homes	\$0	\$334,463	\$0		
Deferred GC Fee	DFC Homes	\$0	\$390,876	\$125,018		
Deferred Developer Fee	DFC Homes	\$396,000	\$590,994	\$590,914		
Total		\$5,627,845	\$6,500,932	\$6,500,932		\$84,971

Notes to the Construction Financing Sources:

- 1) The applicant has received a commitment, dated August 1, 2003, on a \$985,000 first mortgage acquisition/development loan from Citrus Bank. The loan will require payments of interest only during the construction period. The interest rate for the Citrus loan is the Wall Street Journal Prime Rate plus 1%, floating on a daily basis with a floor of 5.75%. SMG has calculated the construction period debt service based upon an interest rate equal to 1% above the bank prime rate as posted on WallStreetJournal.com. The calculation is also based on a 28-month construction period, and an average outstanding loan balance of \$985,000 during construction, representing three buildings under construction at any given time housing a total of 17 units.
- 2) The applicant has received a commitment, dated August 1, 2003, on a \$1,100,000 Revolving Line of Credit from Citrus. The line of credit has an aggregate rollover potential of \$3,300,000. The loan will require payments of interest only during the construction period. The interest rate for the Citrus loan is the Wall Street Journal Prime Rate plus 1%, floating on a daily basis with a floor of 5.75%. SMG has calculated the construction period debt service based upon an interest rate equal to 1% above the bank prime rate as posted on WallStreetJournal.com. The calculation is also based on a 28-month construction period, and an average outstanding loan balance of \$1,100,000 during construction, representing three buildings under construction at any given time housing a total of 17 units.
- 3) The HOME loan will require interest payments on 100% of the loan equal to the ownership interest of DFC, a Florida for-profit Corporation. The loan will bear a 3% interest rate per-annum.
- 4) The City of Pompano Beach is providing Sable Chase \$175,000 in SHIP funding. This funding is to be used for pre-development expenses for the proposed Sable Chase Subdivision. Since these monies are a direct grant no repayment is necessary.
- 5) The General Contractor, DFC Homes of Florida, Inc., has committed to the deferral of \$125,018 during the construction of the homes.
- 6) The Developer, DFC Homes of Florida, Inc., has committed to the deferral of \$590,914 during the construction of the homes.

Construction Uses of Funds

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs
Actual Construction Costs			
Demolition	\$0	\$0	\$0
Off-Site	\$72,970	\$87,000	\$87,000
New Units	\$3,340,533	\$3,694,060	\$3,694,060
On-Site Improvements	\$0	\$952,083	\$952,083
Accessory Buildings	\$0	\$0	\$0
Recreational Amenities	\$0	\$0	\$0
Rehabilitation of Common Areas	\$0	\$0	\$0
General Requirements	\$0	\$0	\$0
Contractor's Profit	\$535,164	\$390,876	\$390,876
Contractor's Overhead	\$0	\$0	\$0
Total Construction Contract	\$3,948,666	\$5,124,019	\$5,124,019
Other	\$334,142	\$0	\$0
Contingency	\$74,953	\$0	\$0
Total Actual Construction Costs	\$4,357,761	\$5,124,019	\$5,124,019

Notes to the Actual Construction Costs:

1. The applicant has provided a copy of the construction contract that will be utilized for each home. The contract includes an average cost of \$102,480 in construction costs and fees per model. The construction costs shown above are based on this contract.
2. General contractor fees are within the 14% limit of hard construction costs.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs
Financial Costs			
Construction Loan Closing Costs	\$0	\$0	\$0
Construction Loan Interest	\$31,525	\$67,000	\$84,971
Construction Loan Origination Fee	\$13,230	\$30,676	\$30,676
Bridge Loan Interest	\$0	\$0	\$0
Bridge Loan Origination Fee	\$0	\$0	\$0
Total Financial Costs	\$44,755	\$97,676	\$115,647

Notes to the Financial Costs:

1. Construction Loan Interest is based on the calculation of three buildings under construction at any given time housing 17 units.
2. Construction Loan Origination Fee is the applicant's estimate, which appears reasonable.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs
General Development Costs			
Accounting Fees	\$5,000	\$0	\$0
Appraisal	\$4,500	\$5,000	\$5,000
Architect's Fee - Design	\$21,439	\$17,260	\$17,260
Architect's Fee - Supervision	\$6,100	\$22,150	\$22,150
Builder's Risk Insurance	\$11,025	\$14,584	\$14,584
Building Permit	\$147,500	\$152,558	\$152,558
Brokerage Fees	\$0	\$99,860	\$99,860
Closing Costs - Construction	\$34,349	\$36,720	\$36,720
Engineering Fee	\$31,725	\$31,635	\$31,635
Environmental Report	\$1,500	\$1,900	\$1,900
Performance Bond Fee	\$0	\$0	\$0
Letter of Credit Fee	\$0	\$0	\$0
FHFC Origination Fee	\$0	\$0	\$0
FHFC Application Fee	\$200	\$0	\$200
FHFC Credit Underwriting Fee	\$0	\$0	\$0
Impact Fees	\$204,526	\$134,928	\$134,928
Inspection Fees	\$9,800	\$13,400	\$13,400
Insurance	\$7,600	\$0	\$0
Legal Fees	\$11,500	\$11,460	\$11,460
Certified HERS (Energy) Rating	\$0	\$0	\$0
Market Study	\$2,400	\$0	\$0
Marketing and Advertising	\$22,000	\$31,500	\$31,500
Property Taxes	\$12,500	\$15,000	\$15,000
Soil Test	\$1,750	\$1,750	\$1,750
Survey	\$1,600	\$10,500	\$10,500
Title Insurance	\$4,528	\$7,628	\$7,628
Utility Connection Fees	\$68,600	\$70,000	\$70,000
Other	\$0	\$10,410	\$10,410
Contingency	\$12,203	\$0	\$0
Total General Development Costs	\$622,345	\$688,243	\$688,443

Notes to the General Development Costs:

1. Brokerage Fees are based on estimates provided by the applicant.
2. Closing Costs Construction is based on estimates provided by the applicant.
3. The other General Development Costs are the applicant's estimates and appear reasonable.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs
Non-Land Acquisition Costs			
Building Acquisition Costs	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Non-Land Acquisition Costs	\$0	\$0	\$0

Notes to the Non-Land Acquisition Costs:

1. Since this is a new construction development, there are no non-land acquisition costs.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs
Development Cost Before Land and Developer Fee	\$5,024,861	\$5,909,938	\$5,928,109
	0		
Other Development Costs			
Developer Fee on Acquisition of Buildings	\$0	\$0	\$0
Developer Fee	\$602,983	\$590,994	\$572,823
Other	\$0	\$0	\$0
Total Other Development Costs	\$602,983	\$590,994	\$572,823

Notes to the Other Development Costs:

1. The Developer Fee was reduced \$17,971 from the revised application to cover changes in the construction loan interest calculation. The Developer Fee is within the underwriting guideline of 16% of development costs exclusive of developer fees and land acquisition costs.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs
Development Cost Before Land	\$5,627,845	\$6,500,932	\$6,500,932
Land Acquisition Costs			
Land	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Land Acquisition Costs	\$0	\$0	\$0

Notes to the Land Acquisition Costs:

1. The City of Pompano Beach has donated the land to be used to construct the Sable Chase Subdivision. The applicant has submitted a Development Agreement dated April 23, 2002 reflecting the donation of the proposed lots. The agreement is between Pompano Beach Community Redevelopment Agency and Davis Financial Corporation. The land value in "as-is" condition at time of donation was \$522,070 discounted to \$261,035 for tax purposes.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs
Total Development Cost	\$5,627,845	\$6,500,932	\$6,500,932

Project Cost Per House

Per Model Cost Breakdown

Model B	Applicant	Revised Applicant	Underwriter
Cost Category	Cost per unit	Cost per unit	Cost per unit
Acquisition Costs	\$ -	\$ -	\$ -
Actual Construction Cost	\$ 87,155	\$ 109,645	\$ 109,645
General Development Costs	\$ 12,447	\$ 13,765	\$ 13,769
Financial Costs	\$ 895	\$ 1,954	\$ 2,313
Other Development Costs	\$ 12,060	\$ 11,820	\$ 11,456
Total Home Cost	\$ 112,557	\$ 137,184	\$ 137,184
Model C	Applicant	Revised Applicant	Underwriter
Cost Category	Cost per unit	Cost per unit	Cost per unit
Acquisition Costs	\$ -	\$ -	\$ -
Actual Construction Cost	\$ 87,155	\$ 98,969	\$ 98,969
General Development Costs	\$ 12,447	\$ 13,765	\$ 13,765
Financial Costs	\$ 895	\$ 1,954	\$ 2,313
Other Development Costs	\$ 12,060	\$ 11,820	\$ 11,456
Total Home Cost	\$ 112,557	\$ 126,508	\$ 126,504
Model D	Applicant	Revised Applicant	Underwriter
Cost Category	Cost per unit	Cost per unit	Cost per unit
Acquisition Costs	\$ -	\$ -	\$ -
Actual Construction Cost	\$ 87,155	\$ 97,782	\$ 97,782
General Development Costs	\$ 12,447	\$ 13,765	\$ 13,769
Financial Costs	\$ 895	\$ 1,954	\$ 2,313
Other Development Costs	\$ 12,060	\$ 11,820	\$ 11,456
Total Home Cost	\$ 112,557	\$ 125,320	\$ 125,320

Notes to Per Model Cost Breakdown:

1. A construction contract was not received with the application; therefore, the above costs related to the applicant are based on a prorata share of total development costs for all categories.
2. The revised applicant costs are based on a prorata share of total development costs in each category except for the actual construction cost category, these costs are based on the actual construction contract received from DFC.
3. The underwriter costs are based on a prorata share of total development costs in each category except for the actual construction cost category, these costs are based on the actual construction contract received from DFC.

Permanent Financing Sources

Source	Lender	Average Applicant per Home	Average Underwriter per Home
First Mortgage	DFC Mortgage	\$103,586	\$102,619
HOME	FHFC	\$29,033	\$26,500
SHIP Grant	Broward County	\$0	\$3,500
Home Buyer's Equity	Homebuyer	\$3,901	\$3,901
Total		\$136,520	\$136,520

Notes to the Permanent Financing Sources:

1. The applicant has received a firm commitment from DFC Mortgage Services, Inc. to provide permanent financing. Loan terms include a term of thirty years, with payments based on a 30-year amortization schedule and a fixed interest rate equal to market. The loan amount will be based on a combined LTV at or below 105%.
2. A portion of the HOME Construction Loan may be converted into a Permanent Loan. HOME Permanent Loans are second mortgage loans that bear a 0% interest rate, and are non-amortizing with principal deferment until maturity. Principal payments on the HOME Permanent Loan shall be deferred until the first to occur of the following events causing the loan to mature: Homebuyer sells, transfers or disposes of the home either voluntarily or involuntarily, the Homebuyer fails to or ceases to occupy the home as a principal residence. The HOME Permanent Loan shall be limited to the lesser of 25% of the purchase price of the home or the amount necessary to enable the purchaser to meet credit underwriting criteria. Proceeds of the HOME Permanent Loan may be used only to assist with down payment and closing cost expenses.
3. The City of Pompano Beach is providing a \$3,500 SHIP grant to each homebuyer through Broward County to defray the cost of pre-development expenses associated with the Sable Chase Subdivision. These funds are a direct grant and therefore require no repayment.
4. The developer is requiring potential homebuyers to provide a 3% down payment calculated on the sales prices of the model selected. SMG believes this to be a reasonable request.

Unit Affordability Analysis

Model C 1201 Sq. Ft.	2bed/2bath	Model B 1426 Sq. Ft.	3bed/2.5bath
Sales Price	\$ 126,508	Sales Price	\$ 137,184
Add: Closing Cost	\$ 6,325	Add: Closing Cost	\$ 6,859
Less: Home	\$ 25,785	Less: Home	\$ 27,960
Less: SHIP	\$ 3,500	Less: SHIP	\$ 3,500
Less: Homebuyer's Equity	\$ 3,795	Less: Homebuyer's Equity	\$ 4,116
First Mortgage Amount	\$ 99,753	First Mortgage Amount	\$ 108,467
Principal & Interest @ 6.5%	\$ 630.51	Principal & Interest @ 6.5%	\$ 685.59
Tax & Insurance	\$ 248.30	Tax & Insurance	\$ 260.32
Total Payment	\$ 878.81	Total Payment	\$ 945.91
Percentage of AMI (family of 3)	24.3%	Percentage of AMI (family of 3)	26.2%
HOME loan as % of Sales Price	20.4%	HOME loan as % of Sales Price	20.4%
Total Loan-to-Value	93.7%	Total Loan-to-Value	97.4%

Model D 1239 Sq. Ft.	3bed/2bath
Sales Price	\$ 125,320
Add: Closing Cost	\$ 6,266
Less: Home	\$ 25,542
Less: SHIP	\$ 3,500
Less: Homebuyer's Equity	\$ 3,760
First Mortgage Amount	\$ 98,785
Principal & Interest @ 6.5%	\$ 624.39
Tax & Insurance	\$ 252.31
Total Payment	\$ 876.70
Percentage of AMI (family of 3)	24.3%
HOME loan as % of Sales Price	20.4%
Total Loan-to-Value	91.4%

Notes to Affordability Analysis Table:

1. HOME loan proceeds were limited to the amount per home provided in the application.
2. Based on a homebuyer's choice to purchase the 1,201 square foot model, the first mortgage amount would be \$99,753, with a fixed interest rate of 6.50% and a term of 30 years, the principal, interest, taxes and insurance ("PITI") payment would be approximately \$878.81 or 24.3% of the income for a family of three at 80% AMI.

3. Based on a homebuyer's choice to purchase the 1,426 square foot model, the first mortgage amount would be \$108,467 with a fixed interest rate of 6.50% and a term of 30 years, the principal, interest, taxes and insurance ("PITI") payment would be approximately \$945.91 or 26.2% of the income for a family of three at 80% AMI.
4. Based on a homebuyer's choice to purchase the 1,239 square foot model, the first mortgage amount would be \$3,760 with a fixed interest rate of 6.50% and a term of 30 years, the principal, interest, taxes and insurance ("PITI") payment would be approximately \$876.70 or 24.3% of the income for a family of three at 80% AMI.

SMG

Section B

Loan Commitment Conditions

JANUARY 9, 2004

HOME Program Recommendation

Seltzer Management Group, Inc. ("SMG"), recommends a Construction Loan funded through the Florida Housing Finance Corporation's ("FHFC" or "Florida Housing") Home Investment Partnerships ("HOME") Program under the conditions detailed in this section.

Loan Amount

The HOME Construction Loan amount recommended by SMG is \$1,325,000 .

The loan amount recommended by SMG is determined as follows:

- I. The maximum loan amount is limited to the lesser of:
 - A. 33% of development cost. The recommended HOME loan is 20.38% of development cost.
 - B. The amount provided in the Notice of Funds Availability.
 - C. The amount necessary to make the development feasible, which is \$1,325,000 based on the information provided to date.
 - D. Applicant request, which is \$1,325,000.

Therefore, the recommended HOME loan amount is \$1,325,000 .

HOME Construction Loan General Conditions

Purpose:

To provide construction financing for affordable single-family town homes at Sable Chase Subdivision (50 units) located in Pompano Beach, Broward County, Florida.

Security / Collateral:

1. A second mortgage lien on the land and improvements
2. A security interest in all personalty of the development
3. Additional collateral as required by Florida Housing

Typical Documents:

1. Note, Mortgage, and Land Use Restriction Agreement
2. Assignment of profits
3. Assignment of construction contract, service contracts, etc.
4. Loan Agreement
5. Construction Completion Guarantee
6. Environmental Indemnity
7. Other documents as may be required by Florida Housing and by Rule Chapter 67-50, F.A.C.

Term:

The term of the HOME construction loan shall be for a period of five (5) years. The construction period shall be for a period of three (3) years beginning on the closing date of the loan.

Rate:

This loan has an interest rate of three percent (3%) simple interest per annum.

Disbursement Schedule:

The HOME Construction Loan will be disbursed to the Applicant during the construction phase in an amount per draw which does not exceed the ratio of the HOME loan to the total development cost, with any exceptions requiring approval by Florida Housing and Florida Housing's credit underwriter/servicer.

Retainage:

Five percent (5%) of the HOME Construction Loan will be held as retainage. Release of funds held as retainage will occur only after the Applicant provides satisfactory final inspection certificates, certificates of occupancy, a final, as-built survey, updated fire, lightning and

extended insurance policies, title insurance policy and other documents as required by the loan documents or as may reasonably be requested by the Servicer or the Florida Housing based upon the employment of standard loan servicing criteria.

Repayment Schedule:

Interest payments on the mortgage shall be paid to the FHFC's Loan Servicer quarterly on the date specified in the Note. The HOME Construction Loan is to be fully repaid at maturity (five years) or prorated at time of the sale of each home. Principal must be repaid on a prorata basis at the sale of each completed unit, with the amount of the principal payment required at the sale of each unit to be approved by the FHFC's Loan Servicer.

Escrows:

None are required unless the borrower fails to timely pay all property taxes or maintain required insurance in force during the term of the HOME Construction Loan. If the borrower fails to timely pay all property taxes or maintain the required insurance coverage, the FHFC can, at its discretion, request that a property tax and insurance escrow be established with and maintained by the Servicer for the term of the HOME Construction Loan.

Replacement Reserves:

None are required, since the HOME Construction Loan is to be repaid on a prorata basis immediately after the completion of each unit.

Prepayment Penalty:

Prepayments are allowed as described in the HOME Construction Loan Program Rule, Chapter 67-50, F.A.C.

Assumption:

The HOME Construction Loan is not assumable.

HOME Permanent Loan General Conditions

Purpose:

To provide construction financing for affordable single-family town homes at Sable Chase Subdivision (50 units) located in Pompano Beach, Broward County, Florida.

Each Permanent Loan is limited to the lesser of twenty-five (25%) of the purchase price of the unit or the amount necessary to enable the purchaser to meet credit underwriting criteria. Proceeds of a Permanent Loan can be only to assist with down payment and closing cost expenses, and/or to reduce the principal amount of the first mortgage. The maximum combined loan to value is limited to 105% of the purchase price. Funds in excess of the purchase price are limited to the closing cost actually paid by the purchaser up to 5%.

Permanent Loan:

Repayment of Principal on the Second Mortgage Loan shall be deferred until the homebuyer sells, transfers or disposes of the home either voluntarily or involuntarily, or ceases to occupy the home as a principal residence.

Permanent Loan Interest Rate:

The interest rate for these loans is zero percent (0%) per annum.

Permanent Loan Lien Position:

The Permanent Loan will be secured by a second mortgage lien on the land and improvements.

Permanent Loan Closing Costs:

The Servicer will conduct a Borrower Qualifying Analysis prior to the sale of each home and the closing of each HOME Permanent Loan.

Permanent Loan Prepayment Penalty:

Prepayment is permitted without penalty.

Permanent Loan Assumptions:

The Permanent Loan is not assumable and is due and payable in full in case of sale or transfer before the due date of the loan.

Permanent Loan Income Eligibility Requirements:

The loans will be made to families who utilize the unit as their principal residence and whose total annual family income at time of closing does not exceed 80% of the local median income adjusted for family size.

Permanent Loan Processing Procedures are as follows:

1. Loan applications are reviewed and processed by the lender originating the first mortgage.
2. All potential homebuyer's applications and loans will be processed by the lenders in accordance with each lender's standard underwriting criteria and any criteria in regard to second mortgages which are imposed by FHA, VA, Fannie Mae, Freddie Mac, RD or other parties insuring or guaranteeing the first mortgage loan.
3. Florida Housing's Servicer shall conduct a Borrower Qualifying Analysis prior to the sale of each home and the closing of each HOME Permanent Loan.

HOME Construction Loan Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing **at least two weeks before closing**. Failure to receive approval of these items within this time frame may result in postponement of the closing date.

1. Building permits and any other necessary approvals and or a letter from the local permitting and approval authority that the above-referenced approvals and permits will be issued upon receipt of applicable fees. If a letter is provided, copies of all permits for each home will be required as a condition to the first draw for that home.
2. Final (signed and sealed) building plans and specifications reflecting all amenities and features as committed to on Part III, Section B of the HOME Application.
3. Final sources and uses of funds, itemized by source and line item, in a format approved by SMG. A detailed calculation of the construction interest based on the final draw schedule (see below), documentation of the closing costs, and draft loan closing statement must also be provided. The sources and uses of funds schedule will be attached to the Loan Agreement as the approved development budget.
4. Final draw schedule to be approved prior to closing, itemized by line item, and showing the sources of funds for monthly draws. HOME loan funds must be disbursed prorata with other construction loan funds.
5. General liability, flood (if applicable), and builder's risk insurance reflecting Florida Housing as Loss Payee / Mortgagee.
6. SMG recommends that the HOME Construction Loan Agreement require the following items to be provided to SMG (in addition to normal draw requirements) prior to disbursement of funds for each home:
 - Executed, valid agreement between the borrower and a homebuyer for the purchase of the completed home.
 - Evidence that the homebuyer has received first mortgage loan approval from a participating permanent lender. This documentation must show the loan amount approved.
 - Evidence that the homebuyer is income-eligible pursuant to the set-asides elected by the developer.
7. Verification that wages paid to all laborers and mechanics employed for the construction of the Development are in accordance with the Davis-Bacon Act.
8. A pre-construction analysis and review of the Development's costs.
9. Current Financial Statements for DFC Homes of Florida, Inc. and Kenny & Michele Davis.

This recommendation is contingent upon the review and approval of the following items by Florida Housing and its legal counsel **at least two weeks before closing**. Failure to receive approval of these items within this time frame may result in postponement of the closing date.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the general partner of the Borrower, the guarantors, and any limited partners of the Borrower.
2. Signed and sealed survey certified to Florida Housing, meeting all specifications of Florida Housing.
3. Title insurance binder or commitment for title insurance.
4. Florida Housing and its legal counsel shall review and approve all closing documents and Florida Housing shall be satisfied in its sole discretion that all legal and program requirements for the HOME loan have been satisfied.
5. General liability, flood (if applicable), and builder's risk insurance reflecting Florida Housing as Loss Payee / Mortgagee.

This recommendation is also contingent upon satisfaction of the following additional conditions on the closing date.

1. SMG will utilize Consultech Inc., as the construction inspector and receipt of the construction inspections prior to each draw is required before funding the draw request.
2. Award of first mortgage and any other funding sources under terms consistent with the assumptions of this report. The first mortgage and any other construction loans must close before or simultaneous with the HOME loan closing.
3. At all times there will be undisbursed loan funds (held by Florida Housing or the first mortgage lender) sufficient to complete the development. If at any time there are not sufficient funds (held by Florida Housing or the first mortgage lender) to complete the development, the Borrower will be required to expend additional equity on development costs or to deposit additional equity with Florida Housing which is sufficient (in Florida Housing's judgment) to complete the development before additional loan funds are disbursed.
4. Construction Completion and HOME Construction Loan repayment Guarantee from Kenny M. and Michele B. Davis, individually and DFC Homes of Florida, Inc.
5. Environmental Indemnity from Kenny M. and Michele B. Davis, individually and DFC Homes of Florida, Inc.
6. A Mortgagee Title Insurance policy in the amount of the HOME Program loan to be issued at closing. This policy is to contain no exceptions unacceptable to Florida Housing or its legal counsel.
7. Any other reasonable requirements of SMG, Florida Housing or Florida Housing's legal counsel.

Section C
Supporting Information and Schedules

Development Information

Location: The development site is located at NW 21st Avenue and Powerline Road in Pompano Beach, Florida.

County: Broward County

PMSA: Fort Lauderdale

Zoning: RM-20 (Medium Density Multi-Family Residential). The RM-20 zoning designation allows for up to 20 dwelling units per acre.

Density: 20 units per gross acre

Flood Zone: Flood Zone AH-14 (100-year floodplain)

Site Control: Property Conveyance

Acquisition Method: Donation

Acquisition Details: The applicant has submitted a Development Agreement dated April 23, 2002 reflecting the donation of the proposed lots. The agreement is between Pompano Beach Community Redevelopment Agency and Davis Financial Corporation. The land value in 'as-is" condition at time of donation was \$522,070.

Development Type: New Construction

Year Built: Projected completion is twenty-eight months

Design Type: Single-Family Townhouse

Units: 50

Dwelling Buildings: 9

Accessory Buildings: Zero

Square Footage: The average total air-conditioned square feet per home is 1,293 .

Improvements Description: The property description provided below is based on the preliminary plans, specifications, and subdivision plats provided by the applicant.

The subject's lot is located at NW 21st Avenue and Powerline Road. The lot is currently vacant. Water, sewer, electric and roadway systems within the subdivision are all publicly owned and maintained by the City of Pompano Beach.

There are three model homes being offered for sale. They are a 2 bedroom 2 bath villa, a 3 bedroom 2.5 bath villa, and a 3 bedroom 2 town home. The models are a combination of 1 and 2 story homes. All buildings will consist of wood frame construction and exterior textured stucco wall finishes. Each unit has a single car garage with a concrete driveway and adequate landscaping. Foundations will be concrete slab. The roof will be pre-engineered wood trusses covered with barrel tile.

Interior walls will be painted wallboard. Interior floor coverings will be vinyl in the kitchen, foyer, laundry, and mechanical rooms, ceramic tile in bathrooms, and carpet throughout the remaining living areas.

Kitchens will be equipped with double compartment sink, range and oven, dishwashers, garbage disposals, pantry, microwaves, and refrigerators. Typical bathroom fixtures, lighting fixtures, and washer and dryer hookups will be provided.

Features and Amenities: The applicant committed to provide the following features and amenities on Part III Section B of the HOME application:

Energy Efficient and Design Features: The homes will include the following features and amenities selected by the applicant:

1. Air Conditioning
2. Window Treatments for each window
3. Cable or satellite TV hook-up
4. Washer and dryer hook-ups
5. Range and Oven
6. At least 1 1/2 baths in all 2-bedroom units
7. At least two bathrooms in all three bedroom or larger units
8. Bathtub with shower in at least one bathroom
9. Telephone hook-ups
10. 30-year expected life roofing

11. Ceramic Tile Bathroom Floors
12. Refrigerator
13. Microwave Oven
14. Marble window sills
15. Double Compartment Sink in Kitchen
16. Kitchen Pantry
17. Dishwasher
18. Garbage Disposal
19. Coat Closet
20. Linen Closet
21. Hurricane Shutters
22. Commitment not to clear cut land
23. Garage
24. Security Features

Energy Conservation Features: The applicant has committed to provide the following energy conservation features:

1. Heat pump with a minimum HSPF of 7.5 instead of electric resistance
2. Air conditioning system with a SEER rating of 12 or better
3. Electric Water Heater with Energy Factor of .91 or better
4. Ceiling fans in all bedrooms and living area
5. Wall insulation of R-13 (or better) for frame-built construction or R-7 or better for masonry/concrete block construction
6. Insulation of R-19 with radiant barrier on top floor only
7. Single-pane windows with shading coefficient of .67 or better
8. Ceiling fans in all bedrooms and the living area

Unit Mix: 50 There are three model homes being offered for sale. They are a 2 bedroom 2 bath townhouse, a 3 bedroom 2 1/2 bath townhouse, and a 3 bedroom 2 bath townhouse. The models are a combination of 1 and 2 story homes. The average living area consists of 1,293 square feet.

- Site Inspection:** A site inspection was completed by Judith Celestin-Lynch of SMG on March 19, 2003. The proposed Sable Chase development is located on the east side of Power Line Road on 21st Avenue, approximately one and one-half miles west of I-95 and just south of Hammondville Road and north of Atlantic Avenue.
- The surrounding area of the subject site consists of light industrial, heavy commercial business, and a small number of housing communities. Within three miles of the site there exists churches, small convenient stores, fast food establishments, Super Wal-Mart, and other commercial businesses. Within one mile of the subject site there exists elementary, middle high school facilities.
- There did not appear to be any adverse conditions that would negatively affect the proposed development.
- Set-Aside Information:** The applicant has made the following commitments:
- Minimum: 100% of the total units must be sold to homebuyers earning 80% or less of the area median income ("AMI").
- Home Buyer Programs:** The applicant has committed to provide Home buyer/home owner counseling services and coordinated community development support services at no cost to the homebuyer.
- Local agencies certified through the Department of Housing and Urban Development will be providing training. New Visions and the Urban League of Broward County have agreed to offer the Homeowners Counseling Program. The program cover budgeting, shopping for a home, obtaining a mortgage, closing, life as a homeowner, credit concerns, and a final walk-thru of the property and specific home purchased.
- Appraised Value:** The appraised value of the two bedroom/two bath model is \$134,000 as if completed based on market sales prices and market financing, as reported in the appraisal dated May 7, 2003, performed by Mitchell A. Flomenhoft, State Certified Appraiser.
- The appraised value of the three bedroom/two bath model is \$136,000 as if completed based on market sales prices and market financing, as reported in the appraisal dated May 7, 2003, performed by Mitchell A. Flomenhoft, State Certified Appraiser.
- The appraised value of the three bedroom/two and one half bath model is \$140,000 as if completed based on market sales prices and market financing, as reported in the appraisal dated May 7,

2003, performed by Mitchell A. Flomenhoft, State Certified Appraiser.

Market Analysis:

A market analysis was performed by Virginia M. Posey of The Realty Exchange Network, Inc. and is dated May 16, 2003. The market study is satisfactory.

The Sable Chase Subdivision located on Powerline Road, Pompano Beach, Florida provides convenient access to schools, shopping, medical facilities, employment, recreation facilities, and public transportation. Many residents of the community are employed by the public service, communications, and tourist industries located nearby. The Sable Chase Development offers residents convenient, yet more affordable, housing than generally available in the Broward County housing market.

There are no market rate townhouses and villas currently under construction in the community. Because of size, design, sales price, features and location, it appears that the Sable Chase Development will be a successful addition to the housing market options in the area.

In conclusion, there is no question that the 50 Townhouses and Villas offered at the Sable Chase Development will enjoy extremely rapid absorption. It is estimated that the minimum absorption rate per month would be three to five homes per month with a 10 to 18 month sell-out. In short, REN anticipates no problem absorbing the units into the Pompano Beach area, as market feasibility for the proposed subject property is excellent.

Additional Market Analysis:

Due to The Realty Exchange Network, Inc. being owned by Kenny & Michele Davis an independent appraisal/market analysis was provided for review. The analysis, conducted by Consolidated Appraisal Services, Inc., was initiated by Citrus Bank as a condition of project financing. The analysis estimates a 12-month sell-out period or an average absorption rate of 4.17 units per month. It further indicates that there is a strong market demand for family development in the market area. This condition has been rising over the previous three years.

SMG believes this additional Market Analysis concurs with the original findings of The Realty Exchange Network, Inc. and provides sufficient evidence to support market need for this development.

Environmental Report:

Federal Engineering & Testing ("Federal") of Pompano Beach, Florida, at the subject site, performed a Phase I Environmental Site Assessment, on September 23, 2002.

Federal indicated based on their visual field inspection, as well as the review of federal, state, and local agency records that no evidence of recognized environmental conditions in connection to the subject property exist. No further investigation is necessary.

Soil Test Report:

The HOME Program does not require a Geotechnical Report.

Pre-Construction Analysis:

A Pre-Construction Analysis ("PCA") is required for the purposes of the HOME program prior to the loan closing.

Borrower Information

Borrower Name: DFC Homes of Florida, Inc.

Borrower Type: Florida For-Profit Corporation

Ownership Structure: DFC Homes of Florida, Inc. ("DFC") is a Florida For-Profit, formed to promote Homeownership by low and moderate-income persons by developing affordable financing, construction and development opportunities in Florida. Copies of the Articles of Incorporation and the current Certificate of Status have been provided.

DFC was formed in 2001 and is acting as the developer and contractor of the Sable Chase Subdivision its ownership structure is comprised of Kenny M. Davis, as President/Treasurer (50%), and Michele B. Davis (his wife), as Vice President/Secretary (50%).

DFC Mortgage Services, Inc. (permanent loan financing) is a Florida for-profit corporation formed in 1997, its ownership structure is comprised of Kenny M. Davis, as President/Treasurer (50%), and Michele B. Davis (his wife), as Vice President/Secretary (50%).

Title Exchange of Florida, Inc. (provider of Title Insurance) is a Florida for-profit corporation formed in 1999, its ownership structure is comprised of Kenny M. Davis, as President/Treasurer (50%), and Michele B. Davis (his wife), as Vice President/Secretary (50%).

Realty Exchange Network, Inc. (acting as Real Estate agent/broker) is a Florida for-profit corporation formed in 1999, its ownership structure is comprised of Kenny M. Davis, as President/Treasurer (50%), and Michele B. Davis (his wife), as Vice President/Secretary (50%).

Contact Person: Kenny M. Davis
Owner
954-739-9099 telephone
954-735-9972 facsimile

Borrower Address: DFC Homes of Florida, Inc.
3601 W. Commercial Blvd., Suite 35
Fort Lauderdale, Florida 33309

Federal Employer ID: 65-1154770

Experience: The principals of the applicant, DFC, have over 15 years of developer/building experience. They have successfully developed 14 single-family, townhouse, and villa style developments, with a total of 265 units in the Broward County area.

Credit Evaluation: Experian Business Report for DFC dated September 18, 2003, reported no significant adversities.

Credit report for Kenny B. Davis and Michele Davis dated September 18, 2003, reported no significant adversities.

Banking References: Bank and business references for DFC reported satisfactory payment relationships.

Financial Statements: DFC:

Cash and Equivalents:	\$32,306
Total Assets:	\$823,470
Total Liabilities:	\$568,067
Total Equity:	\$255,403

Financial information for DFC is based on an unaudited balance sheet dated September 30, 2003. Assets include \$32,306 in cash and \$704,500 in land and improvements. Liabilities include \$387,895 notes payable to various financial institutions. SMG has reviewed DFC's 2001 and 2002 tax returns.

Kenny M. and Michele B. Davis:

Cash and Equivalents:	\$114,073
Total Assets:	\$935,557
Total Liabilities:	\$155,000
Net Worth:	\$780,557

Financial information for Kenny M. and Michele B. Davis is based on an unaudited personal financial statement September 30, 2003. Assets include \$45,953 in cash and \$374,453 in marketable securities. Liabilities include \$107,000 in mortgages. SMG has reviewed the 2001 and 2002 tax returns of Kenny M. and Michele B. Davis.

Contingent Liabilities: DFC has contingent liabilities relating to construction completion guarantees for loans on non-FHFC developments. These developments are in various stages of completion, but all have been sold-out pending completion. The total outstanding guarantee is \$131,377. Due to the sold-out status of these developments SMG believes the guarantees are currently in no danger of being called upon.

Summary: Based upon the financial information provided, DFC appears to have the liquidity necessary to meet the equity requirements of the development during the construction period, and as the guarantors under the Construction Completion Guarantee. Therefore, SMG recommends that Kenny M. Davis and Michelle B. Davis be added as co-guarantors.

General Contractor Information

General Contractor Name: DFC Homes of Florida, Inc.

Type: Florida Corporation

Contact Person: Kenny M. Davis
Principal
954-739-9099 telephone

Address: 3601 Commercial Blvd., Suite 35
Fort Lauderdale, Florida 33309

Experience: DFC has substantial experience in building single family homeownership projects facilitated by not-for-profit developers and sponsors with funding from HUD gifted down payment program, HOME, Rural Housing Service, and the Federal Home Loan Bank's Affordable Housing Program.

Kenny Davis, the principal of DFC has built approximately 265 single-family homes and townhouses in the southeast. Kenny Davis and DFC built the Summer Lake I & II Subdivision with 50 single-family units, The Vineyards with 20 single family units, and Lakeview Villas with 16 residential villas.

Credit Evaluation: Experian Business Report for DFC dated September 18, 2003, reported no significant adversities.

Banking References: Bank and business references for DFC and Kenny Davis reported satisfactory working relationships and payment history.

Financial Statements: DFC:

Cash and Equivalents:	\$45,390
Total Assets:	\$511,001
Total Liabilities:	\$265,064
Total Equity:	\$245,937

Financial information for DFC is based on an unaudited balance sheet dated June 30, 2003. Assets include \$45,390 in cash and \$385,029 in land and improvements. Liabilities include \$231,028 notes payable to various financial institutions. SMG has reviewed DFC's 2001 and 2002 tax returns.

Construction Contract: The applicant has provided a construction contract between the applicant and Kenny M. Davis. This contract is for all construction hard and soft costs. Retainage will be 5%. Release of retainage for completed work shall be in accordance with the Lender's requirements. SMG recommends that this contract be approved.

Summary: SMG recommends that Kenny M. Davis and DFC be accepted as the general contractor, subject to the conditions listed in the Conditions section of this report.