

**FLORIDA HOUSING FINANCE CORPORATION**  
**Board Meeting**  
**July 30, 2004**  
**Information Items**



# FISCAL

## *Informational*

### I. FISCAL

#### A. Operating Budget Analysis for May 2004

##### 1. Background/Present Situation

- a) The Financial Analysis for May 31, 2004, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending May 31, 2004, is attached as [Exhibit B](#).

## **GUARANTEE**

### *Informational*

## **II. GUARANTEE**

### **A. Guarantee Program Capacity ([Exhibit A](#))**

## LEGAL

### *Informational*

### III. LEGAL

#### A. Florida Housing Finance Corporation v. Aloma Bend, Ltd., a Florida limited partnership; Christopher T. Spano, Robert Thollander and Betsy Spano, as Individuals

##### 1. Background

- a) On December 30, 1997, Aloma Bend, Inc. ("Aloma") closed its Multi-Family Mortgage Revenue Bond loan. Florida Housing allocated \$15,500,000.00 in Multi-Family Mortgage Revenue Bond Program funds for this development. The bond documents provide that the proceeds from any condemnation are to be paid to First Union National Bank, the Trustee.
- b) On November 21, 2000, Plaintiff, The State of Florida, Department of Transportation ("DOT") filed a Petition in eminent domain to condemn a portion of Aloma's property in the Circuit Court of Seminole County, Florida seeking to take a portion of the property for widening the road adjacent to the development known as Barrington Place.
- c) On March 28, 2002, the Circuit Court entered a Stipulated Final Judgment Including Attorneys Fees and Costs awarding Aloma the total amount of \$235,000 and requiring that Aloma additionally deposit \$51,100 into the registry of the Clerk of Court ("Condemnation Proceeds").
- d) In April of 2002, Florida Housing requested from Aloma an accounting of the Condemnation Proceeds. The statement provided by Aloma demonstrates that the Condemnation Proceeds were used to repair and pay for expenses at other unrelated properties.
- e) On June 12, 2002, Florida Housing demanded the return of the Condemnation Proceeds to Florida Housing or the Trustee. Aloma has refused to pay Florida Housing or the Trustee and has otherwise failed to perform their obligations under the Loan Agreement and Guaranty.
- f) On April 24, 2003, Florida Housing filed a Complaint in the Circuit Court of Leon County, Florida, requesting that the court enter an Order enforcing the Guaranty and entering a judgment against Aloma and related parties. A copy of the Complaint was attached to the June 20, 2003 informational package as Exhibit A.

##### 2. Present Situation

- a) On June 23, 2003, Aloma filed a Motion to Dismiss Florida Housing's Complaint as to Thollander, which was denied on August 14, 2003. Aloma and Thollander did not file an answer to the Complaint by September 3, 2003. Defendant Betsy Spano's motion to dismiss for failure to join an indispensable party was denied on August 14, 2003. Defendant, Christopher T. Spano was served via alternative service through the Secretary of State, and did not file a proper answer within the allotted time. A motion for default on other defendants will also be heard in the near future, but the date has not yet been set. Florida Housing will continue to monitor the litigation.

## LEGAL

### *Informational*

#### **B. Fifth Avenue Estates, Ltd. (“Fifth Avenue”) – Petition for Rule Waiver**

##### **1. Background**

- a) On February 3, 2002, Fifth Avenue filed a Petition for Rule Waiver, seeking a waiver of Rule 67-48.004(14)(k), Fla. Admin. Code, which prohibits an applicant from making any change of the total set-aside commitment of Item III, Section E, Subsection 3, of the 2002 Universal Cycle Application.
- b) On June 20, 2003, the Board denied the Petition.
- c) On June 25, 2003, Fifth Avenue filed its Notice of Appeal, and filed its Initial Brief on August 13, 2003; Florida Housing filed a Motion to Strike Appellant’s Initial Brief for relying on matters outside the Record of the case and for failure to cite citations from the Record. The Motion to Strike was granted on September 15, 2003. Fifth Avenue’s Amended Initial Brief was filed on September 17, 2003. Florida Housing’s Reply Brief was filed on October 13, 2003. Fifth Avenue’s Reply Brief was filed on November 5, 2003. Florida Housing’s Amended Reply Brief (correcting an omission in its Table of Contents) was filed on November 19, 2003. The Oral Argument was held on June 8, 2004. On June 15, 2004, the Court affirmed, *per curiam* (without a written opinion) Florida Housing’s denial of Fifth Avenue’s petition.

##### **2. Present Situation**

- a) This case is now closed.

## LEGAL

### *Informational*

#### C. In Re: 2003 Universal Cycle Ranking Disputes

##### 1. Background

- a) Pinnacle Oaks filed a Petition for Formal Administrative Hearing, challenging Florida Housing's interpretation of its Universal Cycle Rules and Qualified Allocation Plan. Pinnacle Oaks contends that Florida Housing erroneously deducted the funding and allocation for the Florida Keys Special Set-Aside from the total pool, rather than deducting the Keys funding and allocation from the small county pool. After review of the petition, Florida Housing determined that no material issue of fact exists and referred the case for an informal hearing pursuant to Sec. 120.569 and 120.57(2), Florida Statutes.
- b) On March 23, 2004, Pinnacle Oaks filed a Petition for Determination of Non-Rule Policy and Amended Petition for Administrative Hearing with the Division of Administrative Hearings, requesting a formal hearing to determine whether Florida Housing employed non-rule policy in its final ranking of the 2003 Universal Cycle applications, and for a determination whether Florida Housing acted properly in the same ranking. A formal hearing has been scheduled for June 4, 2004. Florida Housing filed its Motion to Dismiss the Pinnacle Oaks' petition on April 4, 2004. Pinnacle Oaks filed its response to the Motion to Dismiss. A Final Order Dismissing Petition and Closing Case was issued by the Administrative Law Judge on May 11, 2004.

##### 2. Present Situation

The original Petition will be scheduled for an informal hearing.

## PROFESSIONAL SERVICES SELECTION (PSS)

### *Informational*

#### IV. PROFESSIONAL SERVICES SELECTION

##### A. Securitization Services

###### 1. Background

- a) On March 7, 2003, the Board authorized staff to issue an Request For Proposals (RFP) to select one entity to securitize the whole loan portfolio under the 1995 Homeowner Mortgage Revenue Bond Master Indenture and otherwise sell whole loans that do not qualify for securitization should responses show it to be financially beneficial.
- b) On October 9, 2003, the Board authorized staff to enter into contract negotiations with Morgan Keegan & Company, Inc.
- c) As provided in the RFP, before Florida Housing entered into a contract with Morgan Keegan, Morgan Keegan reviewed a sample of whole loans under the 1995 master indenture. The purpose of this review was to finalize the quantification of the financial benefit in the securitization of eligible whole loans and the sale of non-performing and non-qualifying loans.

###### 2. Present Situation

- a) Florida Housing received a copy of this review on June 21, 2004. This review concluded that approximately \$290,000,000 of whole loans are eligible for securitization and approximately \$108,000,000 of whole loans are not eligible for securitization.
- b) The net present value cost to securitize the eligible whole loans is \$4,502,401. Any discount on the sale of loans that do not qualify for securitization would only increase this cost, staff feels this cost outweighs the benefits Florida Housing would receive from the securitization. Staff will not request authorization to proceed further with securitization of the loan portfolio at this time.

## SINGLE FAMILY BONDS

### *Informational*

#### V. SINGLE FAMILY BONDS

##### A. 2004 Series 1-2 Single Family Mortgage Revenue Bond Program

###### 1. Background/Present Situation

- a) On January 23, 2004, the Board authorized issuance of the 2004 Series 1-2 Bonds. The origination period began on March 25, 2004.
- b) Lendable proceeds totaling \$68,896,875 are currently offered at an interest rate of 5.46%.
- c) Additionally, funding was set-aside for special targeting at an interest rate of 4.99% as follows:
  - (1) \$5,000,000 for purchases in Urban Infill, Targeted Areas, HOPE VI and Front Porch Communities
  - (2) \$1,500,000 for the USDA Rural Development (RD) Section 523 Mutual Self-Help Housing Program
  - (3) \$1,000,000 for Disabled Homebuyers
- d) As of June 24, 2004, the following activity was reported:

Allocation Pool	Current \$ Amount Allocated	Purchased/Reserved		\$ Amount Available	% Used
		\$ Amount	Number		
Spot Pool	68,896,875	28,681,695	301	40,215,180	41.6
Urban Infill, Front Porch and HOPE VI	5,000,000	3,567,770	35	1,432,230	71.3
USDA Self Help	1,500,000	52,482	1	1,447,518	3.5
Disabled Homebuyers	1,000,000	185,161	3	814,839	18.5
HAMI Loans	Pooled	60,000	12	Pooled	N/A
HAP D/P	Pooled	2,088,675	216	Pooled	N/A
HOME Loans	Pooled	1,110,021	77	Pooled	N/A

# SINGLE FAMILY BONDS

## *Informational*

### B. 2003 Series 5 Single Family Mortgage Revenue Bond Program

#### 1. Background/Present Situation

- a) On September 12, 2003, the Board authorized issuance of the 2003 Series 5 Bonds. The origination period began on October 27, 2003.
- b) Lendable proceeds totaling \$45,745,051 are currently offered at an interest rate of 5.68%.
- c) Additionally, funding was set-aside for special targeting at an interest rate of 4.99% as follows:
  - (1) \$1,000,000 for purchases in HOPE VI and Front Porch Communities
  - (2) \$2,000,000 for purchases in Urban Infill and Targeted Areas
  - (3) \$1,000,000 for the USDA Rural Development (RD) Section 523 Mutual Self-Help Housing Program
  - (4) \$1,000,000 for Disabled Homebuyers
- d) On March 10, 2004 Staff authorized Leader Mortgage to combine the subsidized loan pools (HOPE VI and Front Porch, Section 523 Mutual Self-Help, Disabled Homebuyers and Urban Infill).
- e) As of June 24, 2004, the following activity was reported:

Allocation Pool	Current \$ Amount Allocated	Purchased/Reserved		\$ Amount Available	% Used
		\$ Amount	Number		
Spot Pool	45,745,051	39,491,241	433	6,253,810	86.3
Front Porch and HOPE VI, Urban Infill, USDA Self Help, and Disabled Homebuyers	5,000,000	4,247,136	52	752,864	85.0
HAMI Loans	Pooled	30,000	6	Pooled	N/A
HAP D/P	Pooled	2,971,422	301	Pooled	N/A
HOME Loans	Pooled	2,167,712	146	Pooled	N/A

## SINGLE FAMILY BONDS

### *Informational*

#### C. 2003 Series 1-4 Single Family Mortgage Revenue Bond Program

##### 1. Background/Present Situation

- a) On May 2, 2003, the Board authorized issuance of the 2003 Series 1, 2, 3 and 4 Bonds. The origination period began on June 25, 2003.
- b) Lendable proceeds totaling \$47,513,696 are currently offered at an interest rate of 5.10%.
- c) Additionally, funding was set-aside for special targeting at an interest rate of 4.50% as follows:
  - (1) \$1,000,000 for purchases in HOPE VI and Front Porch Communities
  - (2) \$3,000,000 for purchases in Urban Infill and Targeted Areas
  - (3) \$1,000,000 for the USDA Rural Development (RD) Section 523 Mutual Self-Help Housing Program
- d) On March 10, 2004, Staff authorized Leader Mortgage to combine the subsidized loan pools (HOPE VI and Front Porch, Section 523 Mutual Self-Help, and Urban Infill).
- e) Staff negotiated with the participant in the Builder program to relinquish unused allocation that could be better utilized in the Spot Pool. As a result, \$2,765,000 was reallocated from the Builder Pool to the Spot Pool.
- f) As of June 24, 2004, the following activity was reported:

Allocation Pool	Current \$ Amount Allocated	Purchased/Reserved		\$ Amount Available	% Used
		\$ Amount	Number		
Spot Pool	47,513,696	47,509,165	521	4,531	99.9
Builder	937,904	937,904	3	0	100
Front Porch and HOPE VI, Urban Infill, USDA Self Help, and Disabled Homebuyers	5,000,000	3,894,136	52	1,105,864	77.9
HAP D/P	Pooled	3,079,634	317	Pooled	N/A
HOME Loans	Pooled	2,881,949	193	Pooled	N/A

# SINGLE FAMILY BONDS

## *Informational*

### **D. Marketing and Outreach**

#### **1. Background/Present Situation**

- a) During the month of June, Staff held and participated in the Lender Appreciation Awards Dinner and the Central Florida Homebuyer Fair held at the Orlando/Orange County Convention Center in Orlando. The Awards Dinner and the Fair were both a great success. The Awards Dinner highlighted the success of our participating lenders and the work they do to provide affordable homeownership. At the Fair, staff discussed the benefits of the First Time Homebuyer Program and other programs offered by the Corporation. The recipients of this information were potential first-time homebuyers, Realtors, non-profits, developers and other interested parties coming to learn more about potential funding sources offered by Florida Housing.
- b) The 2004 Media and Marketing Campaign began on June 20, 2004. The campaign includes statewide television commercials, radio, and newspaper ads. The campaign should be heightened by the recently revised and more user-friendly website and informational brochure.

## UNIVERSAL CYCLE

### *Informational*

#### VI. UNIVERSAL CYCLE

##### A. 2004 Universal Cycle – Update

###### 1. Background and Present Situation

- a) Notice of Possible Scoring Error (NOPSE) scores were issued on May 28, 2004. Applicants had until 5:00 p.m., Eastern Time, on June 10, 2004, to file cures relative to items which, during preliminary and/or NOPSE scoring, failed to receive maximum points, maximum proximity points and/or failed threshold, as applicable. Applicants then had until 5:00 p.m., Eastern Time, on June 18, 2004, to file a written Notice of Alleged Deficiency (NOAD) relative to another Applicant's cure. A total of 86 cures and 45 NOADs were received.
- b) Final scores and a notice of appeal rights were issued to each Applicant on July 9, 2004. Petitions for Hearings are due no later than 5:00 p.m., Eastern Time, on August 2, 2004. Informal appeal hearings will be scheduled for mid-August/early September. Final orders and final rankings will be presented to the Board for approval at its October 14, 2004, meeting.

##### B. 2005 Universal Cycle

###### 1. Background and Present Situation

- a) A public meeting will be held following the July 30, 2004 Board meeting to solicit comments concerning Rule Chapters 67-21 and 67-48, F.A.C., and the 2005 Universal funding cycle. At that time, a tentative time line for the 2005 cycle will be distributed.
- b) In order to expedite the 2005 cycle, the rulemaking process will begin earlier than in past years, which should result in final orders and final ranking being presented to the Board for approval at its July or August 2005 meeting.
- c) Staff anticipates beginning the rulemaking process by soliciting additional public comments at a rule development workshop scheduled for August 17, 2004, in Tallahassee.