

**FLORIDA HOUSING FINANCE CORPORATION**  
**Board Meeting**  
**April 30, 2010**  
**Information Items**



# COMMUNICATIONS

## *Information*

### I. COMMUNICATIONS

#### A. Corporate Marketing and Outreach

##### 1. Background/Present Situation

- a) In February, the 2009 Annual Report was completed. As required by Florida Statute, copies were given to the Governor, Senate President and House Speaker. In addition, CDs containing the Annual Report were distributed to members of the Legislature by Florida Housing's Legislative Office. The Annual Report is available on Florida Housing's Web site and was mailed to Board members.
- b) Since the HFA Hardest-Hit Fund was announced on February 19 by the federal government, the Communications Office has fielded reporter, consumer and stakeholder calls at a steady pace. As details regarding Florida Housing's proposal to implement programming to disburse the funds become available, information will be placed on the Web site.
- c) Communications staff continues to work on redeveloping the Web site during the 2010 calendar year, in accordance with the Strategic Plan.
- d) By way of reminder, the Seventh Annual Lenders Appreciation Awards Dinner will be held on Friday, June 11, 2010, at The Peabody Hotel in Orlando, and Communications staff continues to work with Single Family Program staff on planning the event. Invitations have been mailed and we expect approximately 200 attendees.

**FISCAL**  
*Information*

**II. FISCAL**

**A. Operating Budget Analysis for March 2010**

- a) The Financial Analysis for March 31, 2010, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending March 31, 2010, is attached as [Exhibit B](#).

## GUARANTEE PROGRAM

### *Information*

### III. GUARANTEE PROGRAM

#### A. Status of Defaults within the Guarantee Program Portfolio

##### 1. Background/Present Situation

- a) 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. Since then, the Guarantee Program alone and/or in conjunction with HUD has guaranteed 120 transactions, facilitating the construction of over 28,000 housing units in Florida. Of the 93 multifamily developments in the Guarantee Program portfolio today, 60 are Risk-Sharing transactions.
- b) The seven (7) claims filed since November 2008 represent the only multifamily claims incurred in the 15-year history of the Guarantee Program. As of March 31, 2010, the following developments have been foreclosed or are in the process of foreclosure:

<u>Development</u>	<u>Location</u>	<u>Year Built</u>	<u>Units</u>	<u>Claim Amt.</u>	<u>Risk-share</u>	<u>Gen Ptr</u>	<u>Ltd Ptr</u>	<u>Status</u>
Turtle Creek	Naples	1996	268	11,798,177	Yes	C.J. Communities	KeyBank	Claim filed 11/08, Receiver appointed, Foreclosure in process
Riverfront	Orlando	1997	356	13,322,340	Yes	MMA *	MMA	Foreclosed 7/09. Sold 12/09.
Riley Chase	North Port	1999	312	12,135,769	Yes	Vestcor	Centerline Capital	Foreclosed 11/09. Sold 1/10.
Walker Ave Club	Vero Beach	2000	172	8,163,931	Yes	Benchmark	PNC Capital	Foreclosed 11/09. Sold 3/10.
Landings at Boot Ranch	Palm Harbor	1995	232	10,028,319	Yes	Gulf Landings Dev. Corp.	Centerline Capital	Foreclosed 10/09. Listed for sale. Claim filed 9/09,
Sarah's Place	Clermont	1997	330	12,369,280	Yes	Sarah's Place LLC *	Key Bank	Foreclosure in process Claim filed 9/09,
Nelson Park	Clermont	2000	358	14,409,565	Yes	Nelson Park LLC *	Key Bank	Foreclosure in process

\*The original general partner was Worthwhile Development (H.J. "Jay" Royall, principal), who was either removed by the limited partner or resigned and was subsequently replaced by a limited partner related entity.

## GUARANTEE PROGRAM

### *Information*

- c) As of March 31, 2010, there were three (3) developments in the portfolio in monetary default due to the borrower's failure to make timely payments on the note, as shown below:

<u>Development</u>	<u>Location</u>	<u>Closing Date</u>	<u>Total units</u>	<u>Mtg. bal.</u>	<u>Risk-share</u>	<u>Gen Ptr</u>	<u>Ltd Ptr</u>	<u>Status</u>
Heritage Apartments	Naples	7/11/2001	320	18,236,346	Yes	Worthwhile Development Shelter Corp / Community Housing	KeyBank	Past due: 2/1/10 & 3/1/10 pmts
Westlake I	Palm Beach	2/28/2002	288	17,874,154	Yes	Shelter Corp / Community Housing	MMA	Past due: 3/15/10 pmt
Westlake II	Palm Beach	8/6/2002	112	7,913,576	Yes	Shelter Corp	MMA	Past due: 3/15/10 pmt

- d) Heritage Apartments is the fourth and final Worthwhile Development in the Guarantee Program's portfolio. H.J. "Jay" Royall is the principal of Worthwhile Development and also built Riverfront (claim filed December 2008), Sarah's Place and Nelson Park Apartments (claims filed September 2009). On January 29, 2010, Mr. Royall resigned as the President, Secretary, Treasurer and Director of the general partner. Despite these circumstances, KeyBank, as limited partner, has indicated an unwillingness to assume control of the general partner. We have been closely monitoring Heritage and anticipate it being our eighth (8<sup>th</sup>) claim and incurred within the next twelve months.
- e) Westlake I & II (n/k/a San Marco Villas I & II, a/k/a Venetian Isles I & II) were originally developed by Housing Trust Group. In 2007, Shelter Corporation (Shelter) and Community Housing Corporation (CHC) assumed control of the properties, with Shelter as general partner and CHC as a non-profit special limited partner.

# GUARANTEE PROGRAM

## *Information*

### **B. Disposition of Riley Chase**

#### **1. Background**

- a) Vestcor Fund XVII, Ltd. d/b/a Riley Chase Apartments (“Riley Chase”) is a 312 unit multifamily development located in North Port, Florida, near the south end of Sarasota County. The property was financed with FHFC bonds; 1999 Series L1 & L2, and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guaranteed the first mortgage.
- b) On December 12, 2008, the Guarantee Program filed an Application for Initial Claim Payment with HUD on Riley Chase Apartments and on June 18, 2009 filed for foreclosure in the 12th Circuit Court in Sarasota County, case number 2009-CA-010251-NC.
- c) On July 20, 2009, the owner/borrower of Riley Chase filed their consent to summary judgment and final summary judgment was granted on August 28, 2009. A foreclosure sale date was set for September 28, 2009. FHFC was the winning bidder at the foreclosure sale and a certificate of title was issued to FHFC II, Inc. on September 29, 2009.
- d) Following established protocol, Riley Chase Apartments was listed for sale via competitive bid process with Marcus & Millichap. A total of 35 bids were received. Staff met December 21, 2009 to select top bidders and formulate a recommendation for approval of the sale.
- e) On December 22, 2009, the Board Chair authorized staff to proceed with the purchase and sale agreement for the sale of Riley Chase Apartments to Banc of America.
- f) FHFC II and Banc of America entered into a Purchase and Sale Agreement dated December 24, 2009, and closing occurred on January 29, 2010.

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

- a) Staff prepared the required schedules and forms for inclusion in the final claim settlement with HUD, submitted the information on February 26, 2010 and received confirmation of HUD’s satisfactory review on March 8, 2010.
- b) The original Net Claim amount was \$12.1 million. Adding legal expenses, protection/preservation costs and disposition costs (\$357,504 combined), total capital outlay was approximately \$12.5 million. Less escrows/reserves (\$280,866), net income received from the property (approx. \$183,605), HUD debenture interest (\$872,446) and net sales proceeds (\$7,708,145), the final loss was approximately \$3.45 million, providing a capital recovery of approximately 72% based on the original Net Claim amount and final loss. The net loss to the Guarantee Program is approximately \$1.73 million (i.e. 50% of the loss pursuant to HUD Risk-Sharing Agreement).

## GUARANTEE PROGRAM

### *Information*

#### C. Disposition of Walker Avenue Club Apartments

##### 1. Background

- a) Walker Avenue Club Ltd. d/b/a Walker Avenue Club apartments (“Walker Avenue”) is a 172-unit multifamily development located in Indian River County, on the north side of Walker Avenue, on the west side of 66th Avenue, approximately 3 miles east of I-95 and 4 miles west of downtown Vero Beach. The property was financed with FHFC bonds, 2000 Series L1 & L2, and an allocation of 4% housing credits.
- b) On Monday, March 16, 2009, the Guarantee Program filed an Application for Initial Claim Payment with HUD on Walker Avenue, and on April 29, 2009, filed for foreclosure in the 19<sup>th</sup> Circuit Court in Indian River County, case number 31-2009-CA-010925.
- c) Final summary judgment was granted on August 21, 2009. A foreclosure sale date was set for November 12, 2009. FHFC was the winning bidder at the foreclosure sale and a certificate of title was issued to FHFC II, Inc. on December 1, 2009.
- d) Following established protocol, Walker Avenue was listed for sale via competitive bid process with Marcus & Millichap. A total of 14 bids were received. Staff met February 8, 2010 to select top bidders and formulate a recommendation for approval of the sale.
- e) On February 11, 2010, the Board Chair authorized staff to proceed with the purchase and sale agreement for the sale of Walker Avenue Club to R.J. Finlay & Co.
- f) FHFC II and R.J. Finlay & Co. entered into a Purchase and Sale Agreement dated February 12, 2010, and closing occurred on March 1, 2010.

##### 2. Present Situation

- a) Staff prepared the required schedules and forms for inclusion in the final claim settlement with HUD, submitted the information on March 24, 2010 and received confirmation of HUD’s satisfactory review on April 7, 2010.
- b) The original Net Claim amount was approximately \$8.14 million. Adding legal expenses, protection/preservation costs and disposition costs (\$277,618 combined), total capital outlay was approximately \$8.4 million. Less escrows/reserves (\$198,511), net income received from the property (approx. \$162,548), HUD debenture interest (\$436,894) and net sales proceeds (\$4,987,676), the final loss was approximately \$2.66 million, providing a capital recovery of approximately 68% based on the original Net Claim amount and final loss. The net loss to the Guarantee Program is approximately \$1.33 million (i.e. 50% of the loss pursuant to HUD Risk-Sharing Agreement).

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

## SINGLE FAMILY BONDS

### *Information*

#### IV. 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 first time homebuyers through our First Time Homebuyer Program. In our uncertain housing market, Florida Housing's Program provides needed assistance to eligible homebuyers offering low cost, 30 year, fixed rate mortgages together with down payment and closing cost assistance.
- b) To help ensure that we are providing this assistance to homebuyers who can not only complete the purchase process but also maintain homeownership after the home is purchased, we continue to implement a minimum FICO score requirement. Rather than increasing the FICO requirement to 620 or higher, as many lenders have, we have established a modest 600 (mid-score) FICO requirement for our borrowers. Our delinquency data analysis continues to reflect that borrowers below this threshold show a high rate of serious delinquency. We want to make sure our program is targeted at those responsible homebuyers who can not only purchase a home, but can actually maintain ownership after purchase. Lenders may still continue to manually underwrite loans for borrowers with no FICO score based upon Agency underwriting guidelines (Fannie Mae, Freddie Mac, FHA, VA and USDA-RD). Because manually underwritten loans require more scrutiny, this group of borrowers performs very well in terms of maintaining homeownership. We will continue to monitor loan performance and make necessary program adjustments as needed.
- c) Single Family Programs staff continues to teach a three hour DBPR approved continuing education course offered through local Realtor boards since 2003. We contract through the local board of Realtors in various counties to guarantee a minimum attendance of 20 Realtors per class. Program staff has been reaching out to local board of Realtor offices in smaller, rural counties in an effort to increase our network of housing partners in these often overlooked areas. Our 2010 Realtor training calendar has been distributed to local Realtor associations throughout the state and we have 10 additional classes scheduled for the remainder of the year.
- d) The Single Family Program staff, in conjunction with our Master Servicer, US Bank, and the program compliance team at eHousing, continues planning for new lender trainings. These quarterly training sessions are conducted via a teleconference format called WebEx. The WebEx format allows lenders from offices around the state along with some out of state support centers to dial in via conference call and participate in an interactive computer based training session. We conduct two 3 hour classes which allows up to 300 registered participants in each session. The morning session is for loan officers and processors while the afternoon session is for underwriters, closers, shippers, and funders. By tailoring each class for the intended working group, we find that we are able to provide more useful and specific information. In our January training, we had over 500 attendees and anticipate an attendance of 500 or more at our upcoming April 15 training.



## SINGLE FAMILY BONDS

### *Information*

- e) In our ongoing efforts to strengthen and grow our lender partner relationships, Single Family Program staff is also evaluating processes and systems within Florida Housing Finance Corporation, eHousing and US Bank to determine areas which need improvement. Single Family staff will incorporate necessary changes while offering improved education and training to our valued lender partners with an increased focus on individual loan officers.
  
- f) Florida Housing continues to sponsor a toll-free telephone line (800-814-HOME) for first time homebuyers to call for information about our program. For the month of February, we received 455 total calls from first time homebuyers, Realtors and lenders via the first time homebuyer line; of which 257 were transferred to the Single Family staff. For the month of March, we received 603 total calls; of which 314 were transferred to the Single Family staff. The remaining callers were able to receive information for accessing our First Time Homebuyer Wizard tool which is located on our website. Since there was a significant increase in calls between February and March, we will continue to closely monitor these calls to evaluate the best way to efficiently handle the call volume in the long term.

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

## UNIVERSAL CYCLE

### *Information*

#### V. UNIVERSAL CYCLE

##### A. 2011 Universal Cycle

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

- a) To solicit comments concerning Rule Chapters 67-21 and 67-48, F.A.C., and the 2011 Universal funding cycle, a public meeting was held following the February 26, 2010 Board meeting and a rule development workshop was held on April 29, 2010.
- b) Staff will continue the rulemaking process by soliciting additional public comments at a second rule development workshop scheduled for June 17, 2010 in Tallahassee, a third rule development workshop scheduled for either July 29 or 30, 2010 (location still to be determined), and a fourth rule development workshop scheduled for September 10, 2010 in Tallahassee.