

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
December 7, 2012
Information Items



COMMUNICATIONS

Information

I. COMMUNICATIONS

A. Hardest-Hit Fund (HHF) Program

1. Background/Present Situation

a) Since the implementation of the Florida HHF Program statewide, Florida Housing has received press on the program in the following media outlets (including print, broadcast and Internet):

- (1) ABC 13 (WMBB.com)
- (2) Bay News 9 Tampa
- (3) Boston Today Newspaper
- (4) Bradenton Herald Newspaper
- (5) CBS 4 in Miami
- (6) Clay Today Newspaper
- (7) CitrusDaily.com Online
- (8) Daytona News-Journal Newspaper
- (9) First Coast News.com Online
- (10) Florida Courier
- (11) Florida Current
- (12) Florida.newszap.com
- (13) Florida Times Union Newspaper
- (14) Florida Today Newspaper
- (15) Florida Trend
- (16) Fox News
- (17) Free-Press-Release.com
- (18) Herald Tribune Newspaper
- (19) Highlandstoday.com Online
- (20) Hispanic Business
- (21) Housingwire.com Online

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- (22) Huffington Post
- (23) Miami Herald Newspaper
- (24) Mortgageorb.com Online
- (25) News Channel 5 (online)
- (26) News-Press Newspaper in Fort Myers
- (27) News 13 Online
- (28) New York Times
- (29) NorthEscambia.com Online
- (30) Ocala.com Online
- (31) Ocala Star Banner Newspaper
- (32) Orlando Sentinel
- (33) Palm Beach Post
- (34) Pensacola News Journal Newspaper
- (35) RealEstateRama.com Online
- (36) Stateline.org Online
- (37) St. Augustine Record Newspaper
- (38) St. Pete Times Newspaper
- (39) Sun-Sentinel Newspaper
- (40) Tampa Bay Times Online
- (41) TCPalm.com Online
- (42) Tomrollins.com Online
- (43) Treasury Notes
- (44) Watchdog
- (45) WBBH Channel 2 Charlotte County
- (46) WCTV
- (47) WDEF News Channel 12 online wdef.com
- (48) WEAR Channel 3 Pensacola

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- (49) WESH 2 News Orlando
 - (50) WFTV News Orlando
 - (51) WJXT Channel 9 Jacksonville
 - (52) WOFL Channel 35 Lake Mary
 - (53) WPTV Channel 5 West Palm Beach
 - (54) WTVT Channel 13 Fox Tampa
 - (55) WUFT 89 FM Radio Gainesville
 - (56) WZVN ABC Channel 7 Fort Myers
- b) HHF and Communications staffs continue to coordinate and participate in events hosted by Making Home Affordable/HOPE Now (in conjunction with the US Department of Treasury. Recently, Communications staff attended the MHA event in Orlando to help manage the attending HHF Advisor Agencies, in addition to prescreening homeowners. The event was a success for HHF, as 70 homeowners started application for the Florida HHF Program.
 - c) Additionally, both staffs coordinate and participate in single-servicer events, most recently several events hosted by Wells Fargo Home Mortgage. Most recent events were held in Jacksonville and Tampa, with a large event in Orlando. In Orlando, staff was able to completely process and determine eligibility for a homeowner, who closed her Florida HHF loan on-site at the event. This is the second time this has occurred (the first time was at a CitiMortgage event earlier in the year). Wells Fargo will host three more events in Florida and HHF will be present.
 - d) Several re-employment events have been sponsored by entities affiliated with the airline industry in the wake of American Airlines and auxiliary companies announcing layoffs. These resource fairs are for employees who have received layoff notices. Communications staff has diligently worked with the organizers of the fairs to ensure an HHF presence at the events. A much larger event that should last several weeks is in the planning stage, but no firm dates have been set.

B. Corporate Marketing/Outreach

1. Background/Present Situation

- a) Communications continues to work on the *What's Developing* corporate newsletter, which will be distributed prior to the end of 2012. In addition, staff has worked with the Legislative office to develop an informational brochure for the members of Florida's Legislature. The brochure is designed to illustrate the role that affordable housing development plays in stabilizing Florida's economy.

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- b) Additionally, staff continues to work on redeveloping the Corporation's website. The oversight and governance procedures are near completion; they will be presented to the Executive Director for review and approval, then implemented Corporation-wide after the first of the year. Actual redesign of the website may begin during the implementation of the oversight procedures.

FISCAL
Information

II. FISCAL

A. Operating Budget Analysis for October 31, 2012

1. Background/Present Situation

- a) The Financial Analysis for October 31, 2012, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending October 31, 2012, is attached as [Exhibit B](#).

GUARANTEE PROGRAM

Information

III. 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 73 multifamily developments in the Guarantee Program portfolio today, 52 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 October 31, 2012, listed in chronological order by claim filed date.
- c) There are no foreclosures in inventory.
- d) As of October 31, 2012, there were two (2) developments in the portfolio in monetary default (due to the borrower's failure to make timely payments on the note):

<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>
Tuscan Isle	Naples	12/4/2002	298	\$17,069,342	Yes	Creative Choice Homes	Hunt Capital	Past due: 9/15/12 & 10/15/12 pmts
Colony Park	West Palm Beach	8/24/2001	130	\$9,039,294	No	Wentwood Capital	Wentwood Capital	Past due: 9/15/12 & 10/15/12

- e) Between 2008 and 2009, Tuscan Isle, Creative Choice Homes (Dilip Barot), was in “rolling” default status for over a year. In March 2009, the general partner and limited partner (Capmark, at the time) reached agreements to share in the funding of operating deficits and cure the monetary default. The latter was cured in October 2009. Capmark filed bankruptcy in late 2009. At the end of 2011, Hunt Capital acquired Capmark’s portfolio, including its interest in Tuscan Isle.

GUARANTEE PROGRAM

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- f) Colony Park was originally developed by Housing Trust Group (Randy Rieger), who, in April 2007, transferred the general partner interest to Shelter Corporation (Shelter). Furthermore, the original limited partner, Capmark, filed bankruptcy in 2009 and their interest was subsequently acquired by Wentwood Capital (Wentwood). In May 2010, Wentwood removed Shelter as general partner and assumed control.

B. Capitalizing Debt and Risk Exposure

1. Background/Present Situation

- a) The global liquidity crisis of 2008 collapsed the market for the variable rate bonds capitalizing the Guarantee Program corpus, ultimately leading staff to restructure the debt, paying off approximately \$89 million and refinancing the remaining \$156.2 million in variable rate bonds to a 5-year term loan with Citibank, closing on December 31, 2009.
- b) At that time, the Guarantee Program's total risk exposure; single-family and multifamily combined, was \$754.5 million. Since then, total risk exposure (Exhibit C, chart "Guarantee Fund Capacity," line item "Total Commitments") has consistently decreased, as reflected below:

Portfolio Risk Exposure

12/31/2009	12/31/2010	12/31/2011	Last Board Meeting (as of 9/30/2012)	This Board Meeting (as of 10/31/2012)
\$754,475,974	\$728,323,576	\$578,754,817	\$490,938,998	\$490,416,837

- c) Management has since aggressively reduced the Guarantee Program capitalizing debt, paying off \$90.2 million on April 20, 2011 and another \$15 million on July 29, 2011, leaving \$51.0 million outstanding. Another principal reduction, potentially paying off the remaining \$51.0 million balance, is anticipated before December 31, 2012. The Board will be apprised accordingly as to the status of this proposed principal reduction.

C. Corpus Investments

1. Background/Present Situation

The Guarantee Fund corpus contains approximately \$213 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, 2012.

GUARANTEE PROGRAM

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- 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](#))**

HOUSING CREDITS

Information

IV. HOUSING CREDITS

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

1. Background/Present Situation

- a) The Development reflected below has requested, and staff has approved, changes to the Construction Features & Amenities and/or Resident Programs in their Application since the most recent Board meeting:

Scott Carver IIC (#2009-512C), a 4% Housing Credits development, has replaced Health and Nutrition Classes (2 points) with Resident Assistance Referral Program (2 points). This exchange is of equal point value to the amenities originally chosen in the application.

- b) Staff will amend the extended use agreement.

MULTIFAMILY BONDS

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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 & Amenities and/or Resident Programs in their Application since the last Board meeting:
 - (1) Georgia Ayers (2012 Series A) has requested the exchange of “Energy Star rating for all windows in each unit” for “Low VOC Paint (less than 50 grams per liter) in all units and common areas” and the exchange of the “Volleyball Court” for a “Shuffle Board Court.” Scoring of the Application will remain unaffected.
 - (2) BCC (2009 Series F) has requested the exchange of “Motion Detectors on All Outside Lighting Attached to the Units” and Carpet and Rug Institute Green Label certified carpet and pad for all carpeting” for “Low VOC paint (less than 50 grams per liter) in all units and common areas” and “Florida Yards and Neighborhood Certification on all landscaping.” Scoring of the Application will remain unaffected.
- b) Staff will amend the Land Use Restriction Agreements and/or Extended Use Agreements for each of the developments as appropriate.

SINGLE FAMILY BONDS

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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) Borrowers must have a minimum 640 FICO score and complete a 6-8 hour face-to-face homebuyer education class in order to qualify for assistance through our FTHB Program. Our increase in credit score had already been adopted by many of our participating lenders. This change will serve to "level the playing field" for lenders originating our FTHB loans. Through close monitoring of loan performance (i.e. loan delinquency and early payment defaults) and based upon discussions that we have had with our Lender Advisory Board, we found it necessary to make additional program changes that should help strengthen the program and its borrowers. We have eliminated the use of co-signors because we found that their use can be abusive, allowing borrowers to purchase more home than they can afford. Another change that we think will help ensure a stronger borrower and commitment to long term homeownership is requiring a minimum cash contribution to the loan of \$1000 from the borrower's own funds. These funds can be a gift as allowed by FHA. All of these changes became effective May 1st, when we rolled out our newest bond issue, 2011 Series C & 2009 B-5 (Series B-5). Additionally on October 1st we implemented a maximum 45% debt to income ratio for our borrowers. This new credit overlay is a result of our recently negotiated servicing agreement renewal with US Bank, our Master Servicer. We have determined that this change will have a negative impact on loan production based upon analysis of our borrower profile. Unfortunately, since US Bank is currently the only major servicer that provides HFA servicing, we had no choice but to accept it.
- c) Florida Housing offers qualified homebuyers two down payment and closing cost assistance programs in the form of second mortgage loans. Florida Assist is a 0% deferred payment \$7,500 second mortgage that serves homebuyers with an area median income (AMI) of up to 120%, adjusted for family size. Another recent change was the increase of the Florida Assist income limits to 120% AMI, up from 100% AMI, as permissible by the Florida Statutes. Homeowner Assistance for Moderate Incomes (HAMI) serves households up to Program first mortgage income limits. This product provides a qualified buyer with up to \$5,000 of assistance in the form of a 10-year, amortizing second mortgage, currently at a 5% fixed rate. These second mortgage products may only be used in conjunction with Florida Housing's first mortgage products.

SINGLE FAMILY BONDS

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- d) Single Family Program Staff attended the National Association of Realtors convention held in Orlando November 7-12. We spoke on a panel of industry professionals about the mission of state housing finance agencies and more specifically the programs offered through Florida Housing. We also used this opportunity to plan future Mortgage Credit Certificate (MCC) trainings for Bank of America's loan origination group. While Bank of America has withdrawn from all FTHB Programs nationwide, they have a keen interest in offering our MCC Program to their borrowers. We will kick off trainings in the first quarter of 2013 and expect to see our MCC production increase dramatically once they have fully integrated our program into their statewide product mix.
- e) Since 2003, Single Family Program Staff has taught a three hour, Department of Business and Professional Regulation (DBPR) approved continuing education ("CE") course for Realtors which is coordinated through local Realtor boards throughout the state. We have received our recertification of the class from DBPR, which is required every three years. 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.
- f) Our program has experienced a reduction in participating lenders as a result of industry consolidation and attrition that began with the financial meltdown in 2008. As a result, we have recently begun to accept new applications from potential lending partners at any time during the year rather than one time a year as had been our previous policy. This change created a need to have the ability to quickly and efficiently train new lenders. In response to this need, US Bank launched our long anticipated online lender training platform in mid- June. The lender training can be accessed by the staff of newly approved lenders as well as any new staff added by our existing participating lenders 24/7 and will greatly accelerate and improve our training efforts.
- g) 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 October, we received 354 total calls of which 126 were transferred to the Single Family Staff. The remaining callers that were not transferred to the Single Family Staff were able to receive information by accessing our First Time Homebuyer Wizard tool, which is located on our website. We continue to closely monitor these calls to evaluate the best way to efficiently handle the call volume in the long term.

SINGLE FAMILY BONDS

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- h) At the January 27, 2012 meeting, the Board approved the renewal of the Mortgage Credit Certificate (MCC) Program. This program provides qualifying first time homebuyers an ongoing annual tax credit that reduces the amount of taxes owed. This increases disposable income and provides the homeowner more money towards their mortgage payment. MCC's are offered through approved participating lenders and are issued in connection with the lender's in-house fixed rate mortgage product. We anticipate that MCC's will assist borrowers with higher incomes than those who currently use the FTHB Program. The Program was officially launched on June 1, 2012. The first 90 days were centered on recruiting and training participating lenders. To date we have approved 17 lenders who have each paid a \$750 participation fee to Florida Housing. We are encouraging our current group of approved FTHB participating lenders to also offer this affordable housing program to their eligible borrowers while also seeking out smaller lenders who might not otherwise qualify for FTHB Program participation. We have issued four MCC's to qualified first time homebuyers and have an additional six in the pipeline. We charge a \$500 issuance fee for each MCC. This can be paid for by the buyer, seller, or anyone else that chooses to pay the fee.

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 \$17,284,326.30 has been disbursed as of November 14, 2012.
 - (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 \$17,820,192.0.
 - (4) Two (2) loans, representing two different developers, approved in the total amount of \$675,000, have yet to be closed.
 - (5) It does not appear at this time that these two loans will be closed due to an inability to obtain the required consent of the investment limited partner.
 - (6) As of November 14, 2012, the final disbursement has been made on twenty-six (26) of the thirty (30) loans closed to date. All accrued interest will be due on these loans twenty four months after the final disbursement. The loan will then be amortized based on a twenty year amortization with a balloon payment due at the end of year six.
 - (7) One loan, Villas at Lake Smart, was paid in full on April 11, 2011. There was \$151,730.22 in undisbursed SMI funds at the time. Another loan, Woodbridge Apartments, was paid in full on December 13, 2011. A third loan, Spring Harbor Apartments, was paid in full on May 21, 2012.

SUBORDINATED MORTGAGE INITIATIVE (SMI)

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- c) Since the inception of the Subordinated Mortgage Initiative only two developers, Shelter Corporation, involving two SMI loans, Venetian Isles I and Venetian Isles II, and Creative Choice, involving Tuscan Isle f/k/a Heron Cove, have failed to make a required payment under their obligations as outlined in the SMI loan. The required payments were ultimately made on both Venetian Isles I and Venetian Isles II, and the payments remain current. However, Tuscan Isle remains in default. The Guarantee Program has been working closely with both the Developer and the Limited Partner in order to resolve this matter; however, there has been no resolution at this time. As of this date there have been no claims made on the Guarantee Fund Program for any development receiving SMI funding.