FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
September 20, 2013
Information Items

I. COMMUNICATIONS

A. Hardest-Hit Fund (HHF)

1. <u>Background/Present Situation</u>

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

(1) ABC 13 (WMBB.com)

(2) Active Rain Blog

(3) Bay News 9 Tampa

(4) Before It's News Blog

(5) Boston Today Newspaper

(6) Bradenton Herald Newspaper

(7) CBS 4 in Miami

(8) CBS 12 News

(9) Charlotte Sun

(10) CitrusDaily.com Online

(11) Clay Today Newspaper

(12) The Current

(13) Daily Record

(14) Daytona News-Journal Newspaper

(15) eCreditDaily

(16) First Coast News.com Online

(17) Florida Courier

(18) Florida Current

(19) Florida.newszap.com

(20) Florida Times Union Newspaper

(21) Florida Today Newspaper

(22) Florida Trend

(23) 4 Closure Fraud Blog

(24) Fox News

(25) Free-Press-Release.com

(26) GreenvilleOnline.com

(27) Herald Tribune Newspaper

(28) Highlandstoday.com Online

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(29) Hispanic Business

(30) Housingwire.com Online

(31) Huffington Post

(32) Lakeland Ledger

(33) Matt Widner's Foreclosure News

(34) Media Advisory – US Senate

(35) Miami Herald Newspaper

(36) Mortgageorb.com Online

(37) News Channel 5 (online)

(38) News Chief

(39) News-Press Newspaper in Fort Myers

(40) News Service of Florida

(41) News 13 Online

(42) News Vine

(43) New York Times

(44) NorthEscambia.com Online

(45) Ocala.com Online

(46) Ocala Star Banner Newspaper

(47) Orlando Sentinel

(48) Palm Beach Post

(49) Panama City News Herald

(50) Pensacola News Journal Newspaper

(51) RealEstateRama.com Online

(52) The Republic

(53) Reuters Newspaper

(54) San Francisco Chronicle

(55) Stateline.org Online

(56) St. Augustine Record Newspaper

(57) St. Pete Times Newspaper

(58) Sun-Sentinel Newspaper

(59) Sunshine State News

(60) Tallahassee Democrat

(61) Tampa Bay Times Online

(62) Tampa Tribune

(63) TCPalm.com Online

(64) The Times (www.nwtimes.com)

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(65) Tomrollins.com Online

(66) Treasury Notes

(67) Tweet - @Framabama

(68) Tweet – Troy Kinsey @TroyKinsey

(69) Tweet – Peter Schorsch @SaintPetersblog

(70) WAND 17

(71) Watchdog

(72) WBBH Channel 2 Charlotte County

(73) WCTV – Action 9

(74) WDEF News Channel 12 online wdef.com

(75) WEAR Channel 3 Pensacola

(76) WESH 2 News Orlando

(77) WFOL Orlando

(78) WFSU

(79) WFTV News Orlando

(80) WINK Ft. Myers News

(81) Winter Haven News Chief

(82) WJXT Channel 9 Jacksonville

(83) WLRN Miami Herald News

(84) WMBB

(85) WOFL Channel 35 Lake Mary

(86) WPEC Palm Beach TV

(87) WPTV Channel 5 West Palm Beach

(88) WTVT Channel 13 Fox Tampa

(89) WTXL Tallahassee TV

(90) WUFT 89 FM Radio Gainesville

(91) WZVN ABC Channel 7 Fort Myers

b) Launch of the Florida HHF Principal Reduction (HHF-PR) is scheduled to occur in late-September and Communications has completed materials for this program. A public announcement will occur at the regular Board meeting for the Corporation, with the application to open subsequently.

c) Additionally, Communications staff is working with HHF staff and other stakeholders on an outreach plan for the HHF Elderly Mortgage Assistance Program (ELMORE).

d) Staff continues to field media inquiries and customer service for the Florida HHF Program.

COMMUNICATIONS

Information

B. Business Continuity

1. <u>Background/Present Situation</u>

Business Continuity staff is currently reviewing and updating the Corporation's business continuity plan, contact information, disaster and evacuation procedures, disaster preparedness information, etc. As a new management company is now in place for the building, plans are underway for appropriate Florida Housing staff to meet with building management representatives to discuss issues germane the safety and continuity of the Corporation and our staff.

C. Corporate Marketing/Outreach

1. <u>Background/Present Situation</u>

a) Communications distributed the second quarter *What's Developing* corporate newsletter in August. The newsletter showcases affordable housing success stories from throughout the state, as well as regular sections, including program updates (single family/multifamily), legislative updates, housing policy news, foreclosure counseling and prevention, and groundbreakings/ribbon-cuttings ceremonies.

b) Staff continues to work with Special Programs on marketing and public relations for the Making Home Affordable® Outreach and Intake Program, which began in June. HUD-approved local housing counseling agencies are engaging in localized marketing and outreach. Additionally, Florida Housing—working with an outside public relations firm—has taped public service announcements (PSAs) that will be featured on the Corporation's webpage dedicated to the project. Radio spots will begin running on stations in the following counties: Duval, Orange/Seminole, Broward and Miami-Dade. The intent is to reach populations of homeowners who may qualify for the federal MHA mortgage assistance programs.

c) In an effort to continue relationship-building with affordable housing advocates, stakeholders and providers, Communications staff attended the Florida Association of Counties Annual Conference in Tampa in June, and the Florida League of Cities Conference in August. Staff will participate at the following annual conferences this year:

- September 8-11- Florida Housing Coalition Annual Conference; and
- October 19-22- NCSHA Annual Conference.

II. FISCAL

A. Operating Budget Analysis for July 2013

1. <u>Background/Present Situation</u>

a) The Financial Analysis for July 31, 2013, is attached as Exhibit A.

b) The Operating Budget for the period ending July 31, 2013, is attached as Exhibit B

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 62 multifamily developments in the Guarantee Program portfolio today, 46 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 July 31, 2013, listed in chronological order by claim filed date.

c) There are no foreclosures in inventory.

d) As of July 31, 2013, there was one (1) development in the portfolio in monetary default (due to the borrower's failure to make timely payments on the note):

Development	Location	Closing Date	Total units	Mtg. bal.	Risk-share	Gen Ptr	Ltd Ptr	Status
Colony Park	West Palm Beach	8/24/01	130	$8,951,463	No	Wentwood Capital	Wentwood Capital	Past due: 7/15/13 & 8/15/13

e) Colony Park (Palm Beach HFA 2001 Series A/B) 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. Wentwood also inserted its own management company, which initiated a downward trend in the property's operational performance. In October 2012, the Guarantee Program facilitated a management change. Since then, operational metrics have improved; the property is funding the monthly mortgage debt service on its own (although not yet enough to catch-up the arrearage) and physical occupancy is in back in the mid 90's.

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	12/31/2012	This Board Meeting (as of 7/31/13)
$754,475,974	**$728,323,576**	**$578,754,817**	**$468,471,463**	**$393,865,194**

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

C. **Corpus Investments**

1. **Background/Present Situation**

The Guarantee Fund corpus contains approximately $166.9 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.

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**)

IV. MULTIFAMILY BONDS

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

1. Background/Present Situation

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

Westminster Apartments (2002 Series E-1 and E-2, HC 2002-505C, GUAR, HUD Risk) requested that the following sentence by removed from Section 2.(f)(3) of the LURA "Interior floor coverings will be vinyl in the foyer, kitchen, laundry, and baths with carpet throughout the remaining living areas." As this is not a requirement of the Application, there is no point value attributed to this language. Scoring of the Application will remain unaffected.

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

V. MULTIFAMILY PROGRAMS

A. 2014 Housing Credit Allocation

Requests for Applications (RFAs)

1. <u>Background/Present Situation</u>

a) Preservation RFA

(1) Fifteen (15) percent of the 2014 housing credit allocation will be utilized for the Preservation RFA. This RFA will focus on the rehabilitation and preservation of existing affordable housing developments, with an emphasis on housing assisted with project based rental assistance under Department of Housing and Urban Development and USDA Rural Development programs.

(2) To solicit comments concerning this RFA, staff held a workshop on September 19, 2013. Based on the current tentative time line, this RFA is expected to be issued on November 1, 2013 and will be due on December 3, 2013, with the Review Committee's recommendations submitted to the Board at the first Board meeting of 2014.

b) Homeless and Persons with Disabling Condition RFAs

(1) The Corporation was appropriated $10 million in non-recurring grant funds by the 2013 legislature to be used to create housing for homeless persons and an additional $10 million to be used for Persons with Developmental Disabilities. The Homeless RFA will offer funding to private Non-Profit organizations proposing to purchase and renovate existing houses or to construct or purchase and renovate small specialty housing of 15 units or less for homeless individuals and families, with a focus on households with extremely low incomes. One of the Developmental Disabilities RFAs will offer $6 million to private Non-Profit organizations, whose primary mission includes serving persons with Developmental Disabilities, for the construction and rehabilitation of multifamily housing. The second Developmental Disabilities RFA will offer $4 million to private Non-Profit organizations, whose primary mission includes serving persons with Developmental Disabilities, for the construction and renovation of existing housing units, including Community Residential Homes.

VI. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

1. Background/Present Situation

a) Florida Housing continues to honor our commitment to have funds continuously available for qualifying homebuyers through our First Time Homebuyer (FTHB) Program. Florida Housing's Program provides assistance to eligible homebuyers by offering low cost, 30-year, fixed-rate mortgages together with down payment and closing cost assistance. Current allowable mortgage loan products include: Federal Housing Administration (FHA), Department of Veterans Affairs (VA), United States Department of Agriculture - Rural Development (USDA-RD), as well as conventional loan products offered through Fannie Mae and Freddie Mac.

b) Over the last 2-3 years we have seen higher credit standards imposed on homebuyers by the Agencies (FHA, Fannie, Mae, and Freddie Mac), our Master Servicer U.S. Bank, and our participating lenders. We try to balance the needs of our First Time Homebuyers with sensible credit requirements. Our Program currently requires borrowers to have a minimum 640 FICO score and complete a 6-8 hour homebuyer education class in order to qualify for assistance. We do not allow the use of co-signors because we have found in the past that their use can be abusive, allowing borrowers to purchase more home than they can afford. We require a minimum cash contribution to the loan of $1000 from the borrower's own funds. These funds can be a gift as allowed by FHA. Additionally we limit a borrower's maximum debt ratio to 45%. As expected, these changes implemented in 2012 have impacted Program loan origination volume. Our loan production for 2012 totaled 2,187 loans purchased with a first mortgage volume of $213.7 million. Thus far in 2013, our lenders have originated 967 loans with a first mortgage volume of $102.4 million. We have recently implemented several program changes that we expect will have a positive impact on loan originations. These changes include 1) a reduction in Program mortgage rates to levels below existing "market rate" levels 2) an increase in available down payment assistance from $7500 to $10,000 and 3) a 50 basis point increase in allowable lender compensation.

c) Florida Housing offers qualified homebuyers two down payment and closing cost assistance (DPA) programs in the form of second mortgage loans. Borrowers may only use one program in conjunction with their first mortgage. Florida Assist is a 0% deferred payment $10,000 second mortgage that serves homebuyers with an area median income (AMI) of up to 120%, adjusted for family size. As mentioned above, we have recently increased this program to its current funding level to help offset rising home prices and closing costs for our first time homebuyers. We have had a very positive response to this change from both our lender and Realtor partners. Homeowner Assistance for Moderate Incomes (HAMI) serves higher income households up to Program first mortgage income limits. This product provides a qualified buyer with up to $5,000 of assistance in the form of a 10-year, amortizing second mortgage, currently at a 5% fixed rate. These second mortgage products may only be used in conjunction with Florida Housing's first mortgage products. They are also repayable when our first mortgage is satisfied. HUD has recently issued a new Mortgagee Letter that has allowed us to return to our former DPA funding model. Under this model, our participating lenders table-fund both the first and second mortgages and are reimbursed at purchase by US Bank. We no longer are required to wire the second mortgage proceeds to closing as we had to do during this time period. The lender funded model is much more efficient in making sure there is a timely delivery of funds for their loan closings.

d) Our Mortgage Credit Certificate ("MCC") Program has begun to generate greater lender interest and participation due in part to specialized in-person training classes being conducted by Program Staff. We have held classes for PrimeLending, Watson Mortgage, Bank of America, Wells Fargo Home Mortgage, RMC Mortgage Corporation and most recently, Security National Mortgage Company. We expect MCC volume to increase substantially as a result of these trainings. Currently we have 36 approved lenders who have each paid a $750 participation fee to Florida Housing. We are still soliciting our existing group of approved FTHB lenders to participate in this affordable housing program while also recruiting smaller lenders who might not otherwise qualify for FTHB Program participation. We have issued 70 MCC's to qualified first time homebuyers. We have an additional 97 reservations in the pipeline. As we anticipated, the borrowers utilizing the MCC Program are purchasing higher priced homes ($166,963 average purchase price) and have a higher average household income ($50,940) than our FTHB borrowers in our current 2013 Bridge Program. We charge a $500 issuance fee for each MCC.

e) Single Family Program Staff continues to offer a three hour, Department of Business and Professional Regulation (DBPR) approved continuing education ("CE") course for Realtors, which is coordinated through local Realtor boards throughout the state. Realtors who attend these classes receive a general 3 hour CE credit while learning about our First Time Homebuyer Program, our Mortgage Credit Certificate Program, and other affordable housing programs available to their potential homebuyers. We strive to market to large groups such as Realtors and Lenders statewide to maximize the benefit of our time and travel and to help others learn about the resources available through our programs.

f) Florida Housing continues to sponsor a toll-free telephone line (800-814-HOME), for first time homebuyers to call for information about our program. Callers are able to receive information through pre-recorded information that directs them to our First Time Homebuyer Wizard tool, which is located on our website. Those callers that have additional questions are transferred to Single Family Staff for assistance.

B. Single Family Bonds Information (Exhibit A)

VII. SUBORDINATED MORTGAGE INITIATIVE (SMI)

A. Program Update

1. Background/Present Situation

a) As of this date the Board has approved funding for a total of thirty-two (32) Subordinated Mortgage Initiative (SMI) loans. The purpose of these loans is to provide subordinate financing on these developments which are credit enhanced by the Guarantee Program, and determined to be in financial distress, in order to provide temporary assistance in funding their mortgage debt service obligations for a period of up to twenty-four (24) months. Florida Housing provided funding for up to one mortgage payment per each three month period. The developer is required to make the remaining payments. This process is to be repeated for up to twenty-four (24) months, with Florida Housing potentially making up to a total of eight mortgage payments and the developer making a total of sixteen mortgage payments during this period.

b) Attached as Exhibit A is a spreadsheet of the status of the SMI loans approved to date. Highlights of the data are as follows:

(1) The Board has approved a total of thirty-two (32) SMI loans in the amount of $19,120,000.

(2) Thirty (30) of these SMI loans have been closed to date in the principal amount of $17,834,309.01, of which $17,557,032.82 has been disbursed as of August 31, 2013.

(3) One SMI loan, Woods of Vero, received SAIL/ELI funding prior to the final disbursement under the SMI loan. The SAIL/ELI loan reduced the first mortgage balance; as a result the three remaining SMI disbursements for Woods of Vero were reduced accordingly, reducing its SMI loan by $14,116.97, effectively reducing the amount closed to date to $17,820,192.04.

(4) Two (2) loans, representing two different developers, approved in the total amount of $665,000, have yet to be closed.

(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) 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) As of August 31, 2013, twelve (12) loans have been paid in full totaling $7,062,454.28.

Information

(8) 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 these developments and are current.