



Mr. Brantley Henderson, Multifamily Bond Administration
Florida Housing Finance Corporation
227 N. Bronough Street, Suite 5000
Tallahassee, FL 32301

RE: CHAPTER 67-21 - NON-COMPETITIVE AFFORDABLE MULTIFAMILY RENTAL HOUSING PROGRAMS (MMRB/HC) 67-21.013 Non-Credit Enhanced Multifamily Mortgage Revenue Bonds

Dear Brantley,

RBC Capital Markets has had the opportunity to serve as underwriter on a number of non-credit enhanced multifamily mortgage revenue bonds in the last 17 years. A number of years ago, Florida Housing, like many other issuers, amended its bond rule to allow such bonds to become DTC eligible. We have found that there are two basic types of bond investors: those investors purchasing the bonds as an investment and those acquiring the security instrument as a loan. Financial institutions desiring that the instrument they purchase be treated as a loan generally do not care what form the “bond” or “note” takes. They do not “mark to market” and generally do not consider changes in value of the bond. On the other hand, the security form is important for institutional investors purchasing the instrument as a “bond.”

I have copied and pasted below Florida Housing’s non-credit enhanced bond policy. This policy provides that if the bond is not rated as investment grade, the Bonds shall not be held in a full book-entry system, but may be DTC eligible. I am guessing that the original rule said that the “Bonds shall not be held in a full book-entry system” and in order to change the FHFC rule and allow bonds to be DTC eligible, the parenthetical was simply added - “(but may be Depository Trust Company (DTC)-Eligible)”. The problem with this drafting of the provision is that bond counsel has not allowed us to close the bonds as DTC eligible as they want us to prove that we are complying with the portion of the rule that says “Bonds shall not be held in a full book-entry system”. They have required that we close the issue with a physical bond and post-closing convert the bond to DTC eligible (for investors that require DTC eligibility).

The problem with closing bonds in physical form and converting to DTC eligible after the fact is that it is a time consuming and laborious process in an electronic age. We have found that the administrative professionals at various trustee institutions and DTC itself are not in the habit of converting a bond to DTC and must perform significant research to determine the required steps. We have taken this approach on two recent transactions: Peterborough Apartments and Brookside Square Apartments. In both instances, it took approximately two weeks to convert the physical bond to DTC eligible. We encountered numerous problems including the following:

- **Identifying professionals at the Trustee and DTC who understood how to accomplish the task.** This is not meant to criticize these professionals. The issue is that no one does this, so finding someone with the understanding and tenure to know how to accomplish the task is exceedingly difficult. Many, many hours were spent by RBC operations staff, trustee operations staff and DTC in order to effectuate the transfer.
- **Shipping of the Physical Bond:** The Physical bond must be shipped back and forth to and from DTC. We encountered multiple situations where the bond was sent to the wrong place further delaying the process.

Based on our experience, we would ask Florida Housing to consider revising the bond rule to delete the reference that “the Bonds shall not be held in a full book-entry system” and simply state that the bonds may be DTC eligible. This is an electronic age and bonds that are not DTC eligible are not valued as highly and are not as efficient as bonds that are DTC eligible. This is why institutional investors who are purchasing the instrument as a bond (and not a loan) care about DTC eligibility. The physical nature of the bond negatively impacts their “mark to market” valuations. And it causes them to have to treat the bond differently than their other investments which adds administrative burden.

If you have any questions, please do not hesitate to call me at (727) 895-8892. I greatly appreciate your consideration on this matter.

CHAPTER 67-21 - NON-COMPETITIVE AFFORDABLE MULTIFAMILY RENTAL HOUSING PROGRAMS (MMRB/HC) 67-21.013 Non-Credit Enhanced Multifamily Mortgage Revenue Bonds

Unless such Bonds are rated in one of the four highest rating categories by a nationally recognized rating service, such Bonds shall not be held in a full book-entry system (but may be Depository Trust Company (DTC)-Eligible)) and shall comply with at least one of the following criteria:

(1) The Bonds shall be issued in minimum denominations of \$100,000 (subject to reduction by means of redemption) and each purchaser of such Bond, including subsequent purchasers unless the requirements of subsection (2) or (3) below are met, shall certify to the Corporation prior to any purchase or transfer of any Bond that such purchaser is a Qualified Institutional Buyer; or

(2) The Bonds shall be issued in minimum denominations of \$250,000 (subject to reduction by means of redemption) and an investment letter satisfactory to the Corporation and its counsel shall be obtained from each initial purchaser of the Bonds (including any purchaser purchasing such Bonds in an immediate resale from an underwriter), but shall not be required of subsequent purchasers of the Bonds, to the effect that, among other things, such purchaser is a Qualified Institutional Buyer, is purchasing such Bonds for its own account and not for immediate resale to a purchaser other than a Qualified Institutional Buyer, and has made an independent investment decision as a sophisticated or institutional investor; or

(3) The Bonds shall be issued in minimum denominations of \$250,000 (subject to reduction by means of redemption) and an investment letter satisfactory to the Corporation and its counsel shall be obtained from each initial purchaser of the Bonds and from each subsequent transferee of the Bonds prior to any transfer thereof, to the effect that such purchaser is a Qualified Institutional Buyer.

Sincerely,

RBC CAPITAL MARKETS CORPORATON



Helen Hough Feinberg
Managing Director, Housing Group