

FLORIDA HOUSING FINANCE CORPORATION

Board Meeting

January 23, 2004

Action Items



**FLORIDA
HOUSING
FINANCE
CORPORATION**

FISCAL

Action

I. FISCAL

A. Approval of Fiscal Committee Meeting Minutes for December 12, 2003.

1. The December 12, 2003, Fiscal Committee minutes are included with the Board Meeting Minutes in the Board Package.

B. UBS Global Asset Management Report

1. UBS Global Asset Management will present a market update and economic forecast.

GUARANTEE

Action

II. GUARANTEE

- A. Consider Approval of the December 12, 2003 Guarantee Program Committee Minutes**

HOMEOWNERSHIP LOAN PROGRAM

Action

III. HOMEOWNERSHIP LOAN PROGRAM

A. Request to extend the construction period for Greater Ocala Homes/ 98HH-003

Applicant Name (“Applicant”):	Greater Ocala Community Development Corporation
Development Name (“Development”):	Greater Ocala Homes
Developer/Principal (“Developer”):	Greater Ocala Community Development Corporation/Charlena Kinsler
Number of Units: 4	Location: Marion County
Type: HOME Construction Loan	Allocated Amount: \$40,000

1. Background

- a) The applicant submitted an application on behalf of Greater Ocala Homes during the 1998 HOME Construction Loan Program cycle.
- b) The Developer was issued a preliminary funding commitment in August of 1999 in the amount of \$40,000 for HOME Construction funds to build 4 homes in Marion County.
- c) On June 8, 2001, a firm commitment letter in the amount of \$40,000 was sent to the Developer which stipulated that the construction period shall be for a maximum of three years beginning on the date of the loan closing which occurred in September 2001. However, HUD restricts the loan term to a period of 5 years from the date the allocation is received by the state.

2. Present Situation

- a) On December 17, 2003, staff received a request from the Developer to extend the construction period for nine months from January 2004 to September 2004. The Request for Extension is attached as [Exhibit A](#).
- b) The Developer attributes the delay in construction to changes in the building code requirements for the distressed area in the Marion County area.
- c) Two (2) homes have been completed so far and the last home in this Development is expected to be completed by August 2004. A quarterly report from the Developer is attached outlining the progress for the Development.

3. Recommendation

Staff recommends that the Board grant an extension for the construction period through September 2004 to complete the Development.

HOMEOWNERSHIP LOAN PROGRAM

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B. Request to extend loan closing date for Arrowhead Estates I/ HH02-006

Applicant Name (“Applicant”):	Arrowhead Estates, LLC
Development Name (“Development”):	Arrowhead Estates I
Developer/Principal (“Developer”):	Arrowhead Estates, LLC/ Rick Miller
Number of Units: 52	Location: Collier County
Type: HOME Construction Loan	Allocated Amount: \$1,740,000

1. Background

- a) The applicant submitted an application on behalf of Arrowhead Estates Subdivision during Round One of the 2002 Homeownership Loan Program Cycle for a HOME Construction Loan.
- b) On November 4, 2002, the Developer issued a preliminary funding commitment in the amount of \$1,740,000 for HOME Construction funds to build 52 homes in Collier County.
- c) A firm commitment in the amount of \$1,740,000 was issued to the Developer on July 1, 2003 indicating a loan closing deadline of September 18, 2003. However, the Board approved a loan closing extension through December 18, 2003 at its September 12, 2003 meeting due to the Developer encountering some plat approval problems.
- d) Staff and Credit Underwriting informed the Developer that in order to receive the HOME Construction funds, all proposed 52 lots would have to be purchased prior to the December 18th closing date.

2. Present Situation

- a) On December 10, 2003, staff received a request from the Developer for an additional ninety (90) day extension to close the HOME Construction Loan from December 18, 2003 to March 18th, 2004. ([Exhibit B](#))
- b) In the financing structure of this Development, the Developer anticipated a “take-down” schedule which was not contemplated in the credit underwriting report for this Development. The Developer assumed that the funds from the completion of one home would be used to construct another home and was not prepared to purchase all 52 lots at one time pursuant to Rule 67-50, Florida Administrative Code and conditions of the Credit Underwriting Report.
- c) Staff, along with counsel and the credit underwriter has spoken with the Developer to explore ways to make the deal feasible. The Developer has another request on this current agenda to allow the land seller (or an affiliate thereof) to become a part of the ownership structure of the Developing entity. The land seller would then transfer the lots into Arrowhead Estates LLC which would allow the Developer to close on the HOME Construction Loan.

3. Recommendation

Staff recommends that the Board grant the loan closing extension from December 18, 2003 until March 18, 2004 and allow the structural change of the borrowing entity.

HOMEOWNERSHIP LOAN PROGRAM

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C. Request approval of a change in usage of funds from construction to purchase assistance for Carolina Place/HAPC 99-004

Applicant Name (“Applicant”):	City of Tallahassee
Development Name (“Development”):	Carolina Place
Developer/Principal (“Developer”):	City of Tallahassee/ Thomas Lewis
Number of Units: 15	Location: Leon County
Type: HAP Purchase Assistance Loan	Allocated Amount: \$375,000

1. Background

- a) The Applicant submitted an application on behalf of Carolina Place during the 1999-2000 HAP Construction Loan Program cycle.
- b) On March 15, 2001, Florida Housing issued an invitation into credit underwriting and a preliminary commitment letter to City of Tallahassee for a HAP Construction Loan in the amount of \$375,000 to assist in the construction of 15 homes in Leon County.

2. Present Situation

Staff received a letter from the Developer dated January 5, 2004 ([Exhibit C](#)) requesting that Florida Housing allow funds to be used for down payment and closing cost assistance to the homebuyer. The Developer has indicated that funds are no longer needed in the actual construction of the development.

3. Recommendation

Staff recommends that the Board approve the change in the usage of funds from construction to purchase assistance only.

HOMEOWNERSHIP LOAN PROGRAM

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D. Request approval of the final scores and rankings for Round Two of the 2003 Homeownership Loan Program Application Cycle (HOME Funding only)

1. Background

- a) Round Two of the Homeownership Loan Program Application Cycle opened on September 26, 2003 and closed on October 27, 2003.
- b) There were a total of 19 applications submitted by the deadline with an aggregate funding request of approximately \$16.8 Million, of which only \$6 Million is available for funding distribution.
- c) Upon receipt of the applications, staff scored the applications in accordance with the parameters of rule 67-50, F.A.C. and issued preliminary scores on or about December 10, 2003.
- d) At that time applicants were notified of any deficiencies in their applications and were allowed a 20-day cure period to correct any noted deficiency. All cures were due to Florida Housing by December 30, 2003 by 5:00PM, EST.
- e) All applications and cures were scored and staff will provide final scores and rankings to the Board at the January 2003 meeting.

2. Recommendation

- a) Approve the final scores and rankings and authorize staff to issue preliminary commitments letters to those applicants that have satisfied all parameters of Rule 67-50, F.A.C. and have scored above the funding line for the Homeownership Loan Program.
- b) Invite those applicants that scored above the funding line into credit underwriting for further evaluation.

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IV. LEGAL

A. In Re: Wesley Haven Villa, Inc.

Development Name: (“Development”):	Methodist Home for the Aging
Developer/Principal: (“Developer”):	Wesley Haven Villa, Inc.
Number of Units: 55	Location: Pensacola, FL
Type: ALF	Set Aside: 40% @ 60% AMI
Demographics:	Allocated Amount: \$330,000
MMRB: n/a	Housing Credits: n/a

1. Background

- a) Wesley Haven Villa, Inc. applied for a Florida Housing Demonstration Loan and was awarded \$3,000,000 in 2002 for the construction of a 55-unit Assisted Living Facility (ALF) to be constructed in Pensacola, Florida. Florida Housing will be in a second position to a \$3,676,500 loan from HUD. A third-position SHIP grant has been approved for the ALF in the amount of \$330,000.

2. Present Situation

- a) Florida Housing will subordinate its mortgage to the HUD mortgage. Legal staff, however, has expressed concern about the language in a HUD Rider that would automatically terminate Florida Housing’s note and mortgage if HUD acquires title to the property by a deed in lieu of foreclosure. The original language of the HUD subordination Rider states as follows:

"The Junior Note and Junior Mortgage automatically terminate if HUD acquires title to the project by a deed in lieu of foreclosure." (Emphasis added.) See [Exhibit A](#), HUD Secondary Financing Rider.

- b) HUD, however, has agreed to partially modify its Rider to ensure that, upon foreclosure, notice will first be given to Florida Housing before its lien automatically terminates. Florida Housing will have 30 days to cure the default after mailing the notice of intent to accept a deed in lieu of foreclosure. The modified language proposed by HUD states as follows:

“Substitute: In the event the Secretary acquires title to the project by a deed-in-lieu of foreclosure, the lien of the subordinate mortgage will automatically terminate subject to the conditions hereinafter described. The holder of the subordinate mortgage may cure a default under the first mortgage prior to a conveyance by deed-in-lieu of foreclosure. The Secretary shall give written notice to the holder of the subordinate mortgage of a proposed lender of title in the event (1) the Secretary decides to accept a deed-in-lieu of foreclosure or (2) the Secretary receives notice from the holder of the FHA-insured mortgage of its election to accept a deed-in-lieu of foreclosure. The Secretary will give such written notice if, at the time of the placing of the subordinate lien against the project, the Secretary receives a copy of an endorsement to the title policy of the mortgagor or holder of the FHA-insured mortgage which indicates that (1) the subordinate mortgage has been recorded; and (2) the Secretary is required to give notice of any proposed election

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to or tender of a deed-in-lieu of foreclosure. Such notice shall be given at the address stated herein or such other address as may subsequently, upon written notice to the Secretary, be designated by the holder of the subordinate mortgage as its legal business address. The subordinate mortgage holder shall have thirty (30) days to cure the default after the notice of intent to accept a deed-in-lieu of foreclosure is mailed.” (Emphasis added.) See [Exhibit B](#), Memorandum from HUD, dated December 12, 2003.

- c) For comparison purposes, the following language is an excerpt from Florida Housing's Subordination Agreement. The lawyer for HUD is of the opinion that the language from Florida Housing's Subordination Agreement has the same effect as the language in the HUD Rider that would "automatically terminate" Florida Housing's Second position mortgage upon foreclosure. Legal staff for Florida Housing disagrees.

“(h) Term. The term of this Agreement shall commence on the date hereof and shall continue until the earliest to occur of the following events: (i) the payment of all of the principal of, interest on and other amounts payable under the Senior Loan Documents; (ii) the payment of all of the principal of, interest on and other amounts payable under the Subordinate Loan Documents, other than by reason of payments which the Subordinate Lender is obligated to remit to the Senior Lender pursuant to Section 4 hereof; (iii) the acquisition by the Senior Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Senior Security Instrument; or (iv) the acquisition by the Subordinate Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Subordinate Security Instrument, but only if such acquisition of title does not violate any of the terms of this Agreement.” (Emphasis added.)

- d) HUD will not agree to modify its Rider any further. The Board is being asked to review the modified HUD language and decide whether the Board agrees to accept it as proposed.

3. Recommendation

Staff recommends the Board consider and decide whether Florida Housing should agree to the proposed modified HUD language in its Secondary Financing Rider in relation to Florida Housing's second-position mortgage in the amount of \$3,000,000. Staff has invited representatives from Wesley Haven Villa, Inc. to address the Board.

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V. MINUTES

- A. Consider Approval of the December 12, 2003, [Board of Directors' Meeting Minutes](#).

SINGLE FAMILY BONDS

Action

VI. SINGLE FAMILY BONDS

A. Single Family Homeowner Program

1. Background

- a) Florida Housing sold its last single family bond issue (\$50 million) on November 18, 2003 with mortgage rates of 5.68% for the spot and builder pools and 4.99% for the subsidized pool. The approximate pool balances are: \$17 million in the spot pool and \$2 million in the subsidized pool.
- b) William R. Hough & Co. (or its successors) is the proposed investment banking senior manager for this bond sale. The proposed legal team is as follows: Greenberg Traurig, P.A. bond counsel; Edwards & Carstarphen co-bond counsel; Allen, Lang, Carpenter & Peed, P.A. special counsel and Adorno & Yoss, P.A., disclosure counsel.
- c) Florida Housing will continue to use Mortgage Backed Securities (MBS) to secure this single-family bond issue. This will be the fourth consecutive MBS bond issue under the 1995 Indenture.
- d) For the past three Single Family Homeowner Bond issues, Florida Housing Staff has requested and received approval from the FHFC Board and SBA to issue a larger Bond issue than what was ultimately closed. The actual individual bond sales' lendable proceeds have been \$50 million each. Market conditions which determine the high cost of negative arbitrage have dictated selling the smaller amount of bonds in order to optimize the use of FHFC resources. These relative market conditions continue to exist. Florida Housing is again requesting approval of \$100 million for the bond sale in the event market conditions regarding the cost of negative arbitrage ease to the extent that it is financially prudent to sell at that level. However, if conditions continue as they exist today, the size of the first 2004 bond issue would again likely be \$50 million.

2. Present Situation

- a) There are two key approvals needed to complete the bond process are Board approval and State Board of Administration (SBA) approval. Working within the confines of the meeting schedules of these two bodies and maintaining the goal of having monies continuously available for lending for the single family homeowner program, it is necessary to obtain board approval of the proposed bond sale at this meeting. Although it is difficult to precisely identify when the Corporation will deplete the program funds given changing economic conditions and the current rate of reservations, it is estimated the funds in all pools and prior bond issues will be entirely reserved by the end of February 2004.
- b) Negative arbitrage for the 2003 Series 5 bonds is covered by assets of the single family program and/or Corporation contribution and is significantly mitigated by investing the bond proceeds with the State Treasurer. If it is determined to be financially beneficial, the first 2004 program will also use the State Treasurer's fund.

SINGLE FAMILY BONDS

Action

- c) The details of the proposed first 2004 issue are as follows:
 - (1) Size: Not to exceed \$100,000,000 in lendable proceeds in one or more series.
 - (2) Mortgage Interest rate: Not to exceed 7.00% for the spot pool. William R. Hough & Co. estimates current market conditions would produce a rate of 5.70% for the spot pool.
 - (3) Projected Origination Period: Fourteen Months
- d) All of the following are program criteria consistent with the last 2003 program.
 - (1) Maximum Loan-to-Value: 103% Combined LTV
 - (2) Loan Types: Conventional, VA, Rural Development and FHA
 - (3) Second Mortgages: HAP Down Payment, HOME and HAMI.
- e) [Exhibit A](#). WLJ Capital Method of Sale Letter
- f) [Exhibit B](#). Draft Program Summary
- g) [Exhibit C](#). Draft Terms Memorandum
- h) [Exhibit D](#). Authorizing Resolution
- i) [Exhibit E](#). Distribution List

3. Recommendation

That the Board approves the necessary funding, staff actions and resolution to permit the issuance of the proposed first 2004 Single Family Homeowner Mortgage Revenue Bonds.