

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
January 21, 2011
Information Items



COMMUNICATIONS

Information

I. COMMUNICATIONS

A. Florida Hardest-Hit Fund

1. Background/Present Situation

- a) Subsequent to the implementation of the Florida HHF pilot site in Lee County in late October 2010, Florida Housing has received positive press on the program in the following media outlets (including newspapers, television stations and websites):
- (1) ABC-WZVN in Fort Myers, Naples and Port Charlotte
 - (2) Ezinearticles.com online
 - (3) Florida Debt Relief Center, LLC
 - (4) FOX 4 in Cape Coral, Fort Myers and Naples
 - (5) Fort Myers News-Press Newspaper
 - (6) Mortgageorb.com
 - (7) MSNBC.com
 - (8) NBC 2 in Fort Myers
 - (9) News.firedoglake.com online
 - (10) Orlando Sentinel Newspaper
 - (11) Palm Beach Post Newspaper
 - (12) Red, White and Blue Press online
 - (13) Sun-Sentinel Newspaper
 - (14) Sunshine State News online
- b) Follow-up articles continue to be monitored, and are being saved and cataloged.
- c) The HHF Information Line (i.e., call center) and program website (www.FLHardestHitHelp.org, where consumers can begin the application process) continues to be operational. Currently, 895 applications have been received. As reported by HHF staff, the program is scheduled to roll-out statewide February 2011.
- d) The Communications Office has continued to field reporter, consumer, and stakeholder calls at a steady pace. In addition, Communications staff is in contact with US Treasury officials and National Council of State Housing Agencies (NCSHA) representatives to ensure we stay compliant with guidelines for communications efforts, while also staying apprised on how other states are handling public relations issues surrounding this initiative.

COMMUNICATIONS

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B. NCSHA's "FACES" Campaign

1. Background/Present Situation

- a) Communications staff, NCSHA and the 49 other housing finance agencies (HFAs) are working together on the "FACES" Campaign—a nationally coordinated effort targeting Congressional and state elected officials to increase awareness of the state HFA brand, improve understanding of what HFAs do and the broader role they play in America's economy, combat negative attitudes about affordable housing and lending, and demonstrate that HFAs are an integral part of the solution to the current housing crisis. Florida's communications plan was posted to NCSHA's website in December and has been deemed an excellent template for other states to use when creating their plans.
- b) Also, Communications has submitted to NCSHA success stories and photos of Florida families who have been able to purchase their first homes using resources from Florida Housing. These stories/photos will be used for inclusion in "FACES," including videos, presentations and print materials.

FISCAL
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II. FISCAL

A. Operating Budget Analysis for November 2010

- a) The Financial Analysis for November 30, 2010, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending November 30, 2010, is attached as [Exhibit B](#).

GUARANTEE PROGRAM

Information

III. GUARANTEE PROGRAM

A. Status of Defaults within the Guarantee Program Portfolio

1. Background

- 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 91 multifamily developments in the Guarantee Program portfolio today, 58 are Risk-Sharing transactions.
- b) As of December 31, 2010, there was one (1) development in the portfolio in monetary default due to the borrower's failure to make timely payments on the note, outlined 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>
Leigh Meadows	Jacksonville	9/26/96	304	9,340,844	Yes	Vestcor Development	Wachovia	Past due: 12/1/10 pmt

- c) The owner/borrower for Leigh Meadows has been approved for funding under the subordinate mortgage initiative (SMI), but they have not yet proceeded with closing the transaction due to their inability to obtain investor approval and citing insufficiency of SMI funding. The owner/borrower has been in rolling default for the past 12 months.

Since November 2008, there have been eight (8) claims filed on the Guarantee Program, representing the total (and only) multifamily claims incurred in its 16-year history. The chart attached as [Exhibit A](#) reflects the developments that have been foreclosed or are in the process of foreclosure, as of December 31, 2010, listed in order; first claim to most recent.

B. Guarantee Program Capacity ([Exhibit B](#))

HARDEST-HIT FUND

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IV. HARDEST-HIT FUND

A. Hardest-Hit Fund Program Update

1. Background

In February 2010, US Treasury (Treasury) created the “Housing Finance Agency (HFA) Innovation Fund for the Hardest-Hit Housing Markets” (HFA Hardest-Hit Fund) and allocated funds under the Emergency Economic Stabilization Act of 2008 (EESA) to five states: Arizona, California, Florida, Michigan and Nevada. The funds were allocated to these states because of their excessive housing market depreciation and to assist in foreclosure prevention efforts. In March 2010, Treasury allocated a second disbursement of \$600 million to an additional five state HFAs based on their high unemployment rates. On August 11, Treasury again expanded the HFA Hardest-Hit Fund to include a total of 18 states and the District of Columbia, and added an additional \$2 billion. Florida received another allocation of funds, \$236.8 million, from the third round of funding; when added to the initial allocation of \$418 million, Florida’s total funding became \$656.8 million. Most recently, on September 29, 2010, Treasury announced a fourth round of funding, awarding Florida an additional \$401 million; this brings Florida’s total award amount to more than \$1 billion. A copy of the implementation timeline is attached as [Exhibit A](#).

2. Current Programs:

- a) Florida Housing Finance Corporation (Florida Housing) was directed by Treasury to create and administer foreclosure prevention assistance programs that address the unique issues of the state. Treasury requires that Florida use a portion of these funds specifically for targeted unemployment programs that provide temporary assistance to eligible homeowners. These targeted unemployment programs are as follows:
 - (1) **Unemployment Mortgage Assistance Program (UMAP)** will provide up to 18 months of payments to the mortgage lender to assist unemployed/underemployed borrowers with their first mortgage until they can resume payments on their own.
 - (2) **Mortgage Loan Reinstatement Payment (MLRP) Program** will be used to bring a delinquent mortgage current for a homeowner who has returned to work or recovered from underemployment.
- b) For more information, a copy of the Frequently Asked Questions is attached as [Exhibit B](#).
- c) On October 25, 2010, homeowners in Lee County began submitting applications online at www.FIHardestHitHelp.org. Homeowners from across the state will be able to apply early in 2011, pending the successful outcome of the Lee County pilot program.

LEGAL

Information

V. LEGAL

A. In Re: MCPI, Ltd. - First DCA Case No. 1D10-1134; FHFC Case No. 2009-061UC

Development Name: (“Development”):	Model City Plaza
Developer/Principal: (“Developer”):	MCP I, Ltd.
Number of Units: 100	Location: Miami-Dade County
Type: Garden Apartments	Set Aside: 10% @ 33% AMI 90% @ 60% AMI
Demographics: Family	HC: \$2,541,000

1. Background

- a) MCP I, Ltd. (“Model City”) timely submitted an Application in the 2009 Universal Cycle, seeking an allocation of \$2,541,000 in low income housing tax credits to help fund a proposed 100 unit development to be located in Miami-Dade County, Florida.
- b) On December 2, 2009, Florida Housing notified all applicants of its score, provided all applicants with a Notice of Rights pursuant to Sections 120.569 and 120.57, Florida Statutes, and an Election of Rights form. Florida Housing awarded ½ of an Ability to Proceed Tie Breaker point to Model City, as Model City was required to cure a site plan approval form.
- c) On or about December 17, 2009, Model City timely filed a Petition for Informal Administrative Hearing, alleging that Florida Housing erred in the scoring of its application, asserting that Model City was entitled to full Ability to Proceed Tie Breaker Measurement Points.
- d) The informal hearing in this case was held on January 14, 2009. On February 2, 2009, the Hearing Officer filed his Recommended Order, which found that Florida Housing’s scoring was correct and that Model City was entitled to ½ of an Ability to Proceed Tie-Breaker Measurement point regarding its cure of its site plan approval form.
- e) On February 8, 2010, Model City filed a written argument in opposition to the Recommended Order, pursuant to Rule 67-48.005(3), Fla. Admin. Code, captioned, “Petitioners Exceptions to Recommended Order.” On February 12, 2010, Florida Housing filed its written argument in response (Response to Exceptions).
- f) On February 26, 2010, the Board entered a Final Order rejecting the Written Argument submitted by Model City in opposition to the Recommended Order, and adopting the Findings of Fact, Conclusions of Law and Recommendation of the Recommended Order, and dismissing Model City’s petition.

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2. Present Situation

- a) On March 5, 2010, Model City filed a Notice of Appeal with the First District court of Appeal. On May 14, 2010, Model City moved the Court to abate the appeal proceedings. On May 20, 2010, the Court issued an order placing the case in abeyance until June 30, 2010.
- b) Model City filed its initial brief on August 23, 2010. Florida Housing's Answer Brief was filed on September 13, 2010.
- c) Oral Argument is scheduled for January 6, 2010, at the First District Court.

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B. In Re: APD Housing Partners 20, LP - First DCA Case No. 1D10-1460; FHFC Case No. 2009-067 UC

Development Name: (“Development”):	TM Alexander
Developer/Principal: (“Developer”):	
Number of Units: 151	Location: Miami-Dade County
Type:	
Demographics:	HC: \$1,405,417

1. Background

- a) During the 2009 Universal Cycle, APD Housing Partners 20, LP (“APD 20,” or “Petitioner”), applied for an allocation of Housing Credits to construct TM Alexander (the “Development”) in Miami-Dade County, Florida. Florida Housing scored Petitioner’s application and determined that it failed threshold requirements pertaining to site control and financing.
- b) On December 3, 2009, Florida Housing notified all applicants of its score, provided all applicants with a Notice of Rights pursuant to Sections 120.569 and 120.57, Florida Statutes, and an Election of Rights form. Petitioner timely filed its Petition contesting Florida Housing’s scoring of its application.
- c) An informal hearing was held before Florida Housing’s contract Hearing Officer on January 13, 2010. (Prior to the informal hearing, Florida Housing agreed to rescind the threshold failure pertaining to financing.)
- d) The sole issue for determination at the informal hearing was whether Petitioner demonstrated site control for its proposed development as required by Part III.C.2. of the 2009 Universal Application Instructions. In its original application, the Petitioner attempted to demonstrate site control by providing a Contract for Purchase and Sale of Real Property (the “Contract”) between Mederos-T.M. Alexander Acquisitions, LLC, as “Seller,” and The American Opportunity Foundation, Inc., and Allied Pacific Development, LLC, as “Buyer.” The Petitioner, APD 20, was not a party to the Contract.
- e) At preliminary scoring, Florida Housing determined that Petitioner’s Application failed to satisfy the threshold requirements for site control because the “August 17, 2009 Purchase and Sale Agreement did not reflect the Applicant as the buyer and no assignment was provided.”

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- f) To cure this failure, APD 20 provided a First Amendment to and Assignment and Assumption of Contract for Purchase and Sale of Real Property (the “Assignment and Assumption Agreement”). The Assignment and Assumption Agreement on its first page purports to be a tri-party agreement entered into by the Seller and the original Buyer under the Contract, and by APD 20, as the new buyer. Under its terms, the original Buyer purports to assign its rights, title and interest under the Contract to the new buyer; the new buyer purports to assume and perform the obligations of the original Buyer under the Contract; the Seller purports to consent to the assignment and assumption of the Contract; and, the parties purportedly agree to amend the Contract. While the Assignment and Assumption Agreement was executed by the original Buyer under the Contract, neither the Seller under the Contract, Mederos-T.M. Alexander Acquisitions, LLC, nor the Petitioner, APD Housing Partners 20, LP, executed the agreement. Instead, the Assignment and Assumption Agreement was executed by an entity named Mederos-Civic Acquisitions, LLC, as the seller, and an entity named APD Housing Partners 19, LP, as the new buyer.
- g) Florida Housing rejected the cure at final scoring because the assignment was not signed on behalf of the Petitioner, APD 20, and because it was not signed on behalf of the Seller, Mederos-T.M. Alexander Acquisitions, LLC.
- h) On February 4, 2010, the Hearing Officer issued his Recommended Order, in which he recommended that Florida Housing enter a Final Order finding that the Petitioner achieved threshold for site control, and reversing Florida Housing’s rejection of Petitioner’s application.
- i) It is the position of Florida Housing staff that the conclusions of law, or parts thereof, in paragraphs 7, 8, 9 and 10, on page 10 of the Recommended Order are without basis under Florida Housing’s rules, and are contrary to case precedent and basic contract law.
- j) Florida Housing staff timely filed its Argument in Opposition to Recommended Order as provided in Rule 67-48.005(6), F.A.C.
- k) On February 26, 2010, the Board entered a Final Order: adopting the findings of fact in the Recommended Order; rejecting the conclusions of law at paragraphs 7, 8, 9 and 10, on page 10, of the Recommended Order; adopting conclusions of law consistent with its own rules and case precedent as provided in the Argument in Opposition to Recommended Order; rejecting the recommendation in the Recommended Order; and finding that Petitioner failed to meet threshold requirements relating to site control.

2. **Present Situation**

- a) On March 23, 2010, APD 20 filed its Notice of Appeal with the First District Court of Appeal. APD 20’s Initial Brief is due to be filed on June 22, 2010.
- b) On July 1, 2010, APD 20 filed its Notice of Voluntary Dismissal, ending this matter. A copy is attached hereto as [Exhibit A](#).

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 Program. Florida Housing's Program provides assistance to eligible homebuyers 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. These loan products are 100% guaranteed. Borrowers must have a 600 FICO or higher and must complete a 6-8 hour face to face homebuyer education class in order to qualify for assistance through our First Time Homebuyer Program. 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 100%, adjusted for family size. Homeowner Assistance for Moderate Incomes, HAMI, serves households above 100% AMI, 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.
- b) 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. Our 2011 Realtor training calendar currently has 8 classes scheduled in diverse geographic areas of the state. We expect to schedule an additional 8 to 12 classes for the 2011 year. Our travel costs are offset by charging a nominal fee to the sponsoring Realtor board based upon the number of participants in attendance. Our goal is to make this educational event cost neutral to Florida Housing, while providing Realtors with knowledge of affordable housing programs offered through the Corporation. Class evaluations indicate that Realtors continue to find the course information useful for their prospective homebuyers. This should contribute to more qualified families becoming homeowners and ultimately increase loan production for the program. While we do not currently have any CE classes scheduled for January, Program Staff has been invited to speak at a HUD technical assistance clinic being held in Orlando on January 25 & 26. The purpose of this 2 day event is to inform Neighborhood Stabilization Program (NSP) grantees and their housing providers of FHFC affordable mortgage options that are available to support local NSP programs. The event will be attended by a Freddie Mac representative, representatives from our #1 lending partner, Bank of America Home Mortgage, as well as other financial institutions. This event will provide us an excellent opportunity to promote our First Time Homebuyer Program to lenders and housing professionals.

SINGLE FAMILY BONDS

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- c) The Single Family Program Staff, in conjunction with our Master Servicer, US Bank, and the program compliance team at eHousing, conducts quarterly lender training webinars. The morning session is held for loan officers and processors, with the afternoon session directed to underwriters, closers, shippers, and post closing staff. By splitting the training into two webinars, we are better able to target the specific needs of each group. Working with US Bank, we are currently exploring the possibility of offering this training via a 24/7 online educational platform. Although we accept new lender applications once per year (January), the need for training remains constant throughout the year as new loan officers join approved lending institutions. Our goal is to have this training platform implemented by the end of the 2nd quarter of 2011.
- d) In our ongoing efforts to strengthen and grow our lender partner relationships, Single Family Program Staff continually evaluates processes and systems within Florida Housing Finance Corporation, eHousing and US Bank to determine areas which need improvement. Single Family Staff will continue to incorporate necessary, allowable changes such as offering improved education and training as described above. Our focus also includes issues that may delay loan delivery and purchase, such as the changes to the Real Estate Settlement Procedures Act (RESPA) in 2010 and the heightened requirements FHA has placed on originating lenders. As part of this effort, we introduced a new loan reservation system on July 12th, 2010. This system provides our lender partners and Florida Housing Program Staff a much broader reporting and data gathering capability. Our improved ability to monitor our loan pipeline aids us in identifying market trends and delays in loan delivery so that we may make necessary program changes when needed to better serve our lender partners. HDS, the provider of this web based system, recently upgraded the system with additional and simplified data processing capabilities. They will continue to refine and improve the system to accommodate our changing needs.
- e) 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 November, we received 431 total calls; of which 170 were transferred to the Single Family Staff. For the month of December, we received 368 total calls; of which 167 were transferred to the Single Family Staff. The remaining callers that were not transferred to the Single Family Staff were able to receive information for 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.

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) Twenty-seven (27) of these SMI loans have been closed to date in the principal amount of \$16,620,453.51.
 - (3) \$11,004,558.14 has been disbursed to date.
 - (4) Five (5) loans, representing four different developers, approved in the total amount of \$1,920,000, have yet to be closed.
 - (5) Of the five loans yet to be closed, two loans, representing two developers, are expected to close by the first quarter of next year; three loans, representing two different developers, remain unclosed due to an inability to obtain, at this time, the required consent of the investment limited partner.
 - (6) Since the inception of the Subordinated Mortgage Initiative only one developer, involving two SMI loans, has failed to make a required payment under their obligations as outlined in the SMI loan. However, the required payments were ultimately made and, as a result, there have been no claims made on the Guarantee Fund Program for any development receiving SMI funding.