FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
June 21, 2013
Information Items

II. FISCAL

A. Operating Budget Analysis for April 2013

1. **Background/Present Situation**

a) The Financial Analysis for April 30, 2013, is attached as Exhibit A.

b) The Operating Budget for the period ending April 30, 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 64 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 April 30, 2013, listed in chronological order by claim filed date.

c) There are no foreclosures in inventory.

d) As of April 30, 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	$8,978,327	No	Wentwood Capital	Wentwood Capital	Past due: 4/15/13 & 5/15/13

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

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 4/30/2013)**
$754,475,974	**$728,323,576**	**$578,754,817**	**$468,471,463**	**$419,093,266**

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

The Guarantee Fund corpus contains approximately $165.8 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. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

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

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 down from 2011 when we produced 3,449 loans totaling $333.4 million.

c) Florida Housing offers qualified homebuyers two down payment and closing cost assistance (DPA) 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. 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. Due to recent guidance provided to state HFAs by HUD and FHA, we are now required to wire DPA funds directly to the closing agent. We have put in place a process to accomplish this task. HUD continues to review our previous funding model where our participating lender would table fund both first and second mortgage loans and be reimbursed at loan purchase. We are hopeful that HUD will eventually allow us to return to this former streamlined funding model.

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, and most recently Bank of America. We expect MCC volume to increase substantially as a result of these trainings. Currently we have 29 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 29 MCC’s to qualified first time homebuyers. We have an additional 58 reservations in the pipeline. As we anticipated, the borrowers utilizing the MCC Program are purchasing higher cost homes ($156,335 average purchase price) and have a higher average household income ($49,258) than our FTHB borrowers in our current Series B-5 bond issue. 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. Our most recent class was held in Tampa for the Greater Tampa Association of Realtors (GTAR) on May 22 and had over 100 Realtors in attendance. 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. For the month of April, we received 469 total calls of which 205 were transferred to the Single Family Staff. The remaining callers that were not transferred to the Single Family Staff were able to receive information through pre-recorded information that also directs them to our First Time Homebuyer Wizard tool, which is located on our website.

B. Single Family Bonds Information (Exhibit A)

V. 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:

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

d) 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 May 31, 2013.

e) 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.

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

g) 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.

h) As of May 31, 2013, the final disbursement has been made on twenty-nine (29) 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.

i) As of May 31, 2013, seven (7) loans have been paid in full totaling $3,740,498.64.

Information

j) 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.