

Memorandum

Housing Finance Authority

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TO: Chairman And Members of the Board of Directors

FROM: Anthony Jones, Housing Programs Manager

THROUGH: Darlene J. Kalada, Executive Director

SUBJECT: Managing Underwriter Services For Single Family Mortgage Revenue Bond Transactions

DATE: June 7, 2005

Recommendation: Staff recommends that the HFA not request new proposals, but continue with the current Managing Underwriters for a period of two more years.

Background: In June 2004, in accordance with the Authority's Rules, the Board adopted a schedule for reviewing professional services. June 2005 was identified as the time for reviewing the services of the Managing Underwriters and making a determination whether it was necessary to issue a request for new proposals. The Authority issued its most recent Request for Proposals for Managing Underwriter Services in June of 2002. After review of the proposals, George K. Baum & Company and William R. Hough & Company (now RBC Dain Rauscher) were selected as Senior Managers. Raymond James and Solomon Smith Barney (now Citigroup) were selected as alternating Co-Managers. The firms were asked to serve at the pleasure of the Board but for a term of no less than three years. This three-year term expires in December of 2005.

The Board has the option of soliciting for new proposals or may request the current underwriters to extend their term for a period to be determined by the Board and agreeable to the underwriters. Or the Board can take no action and revise its schedule for reviewing professional contracts. If it is the pleasure of the Board to request new proposals, staff will have such a request drafted for approval at the September HFA meeting.

Staff has only positive comments about the performance of the current underwriting team. They have been very creative and developed structures that have helped make this Authority one of the best performers in this very difficult market. The nature of the current market is such that we have had fewer and smaller transactions. Nonetheless, the underwriters have been diligent and responded to all our needs, requests, and targets. This year we introduced a different structure with a separate second mortgage program. This is very innovative and probably the first time it has been done in this format in the State of Florida. While the program seems to be performing admirably, we have not completed one full cycle yet and it would seem prudent to keep in place the team that developed the new program until it is fully tested and confirmed. At the same time, and based on past performance, even without the new program we would have no reason to recommend against continuing with the same firms. Therefore staff recommends that the HFA continue with the same Managing Underwriters for a period of two additional years beyond the current agreement, with George K. Baum & Company and RBC Dain Rauscher acting as Senior Managers and Raymond James and Citigroup continuing to alternate Co-Manager duties. The Board of the Authority would revisit this topic at its pleasure, but no later than June of 2007.