

MEMORANDUM

TO:	Honorable Chairman and Members of the Board of Directors
COPY:	Anthony Jones Fran Pheeny
FROM:	Bob Detjen
SUBJECT:	Use of General Funds to Temporarily Finance Home Key 2 nd Loans
DATE:	July 28, 2006

Background

On April 20, 2006, the Housing Finance Authority of Pinellas County, Florida (the "Authority") issued \$20,000,000 Single Family Housing Revenue Bonds, 2006 Series A-1 Bonds, and \$250,000 Homeowner Subordinate Revenue Bonds, 2006 Series A-2. The proceeds of the 2006 Series A-2 Bonds, combined with \$65,000 of Authority funds and approximately \$175,000 of proceeds of the Authority's 2005 Series B-2 subordinate bonds is available to finance Home Key 2nd Loans, which are subordinate to and which bear interest 1% above the Home Key Mortgage Loan, in an amount of up to 8% of the loan-to-value of the single-family residence. Proceeds of the Home Key 2nd Loans may be used to reduce the mortgagor cash requirements at closing.

Based on the Authority's recent history offering subordinate financing for down payment assistance, the aggregate funding of approximately \$490,000 for Home Key 2nd Loans was estimated to be sufficient to meet the demand for closing cost assistance for the 2006A Program. This determination was based on an historic average Home Key 2nd Loan of approximately \$4,500 in connection with 60% of the first mortgage loans.

Current

To date 105 Home Key Loans in the principal amount of approximately \$14.2 million and 60 Home Key 2nd Loans in the principal amount of approximately \$456,000 have been reserved under the 2006A Program. Home Key 2nd Loans have been originated in connection with 57% of Home Key Loans and have averaged approximately \$7,600. Presently only approximately \$34,000 remains available for Home Key 2nd Loans while nearly \$5.8 million remains available for first mortgages.

Based on the current trend, staff estimates an additional \$200,000 in funding for Home Key 2nd Loans would be required to fully originate the remaining \$5.8 million of Home Key Loans. Without additional funding for down payment assistance, staff and the finance team believe demand for the Authority's remaining \$5.8 million of 2006A Bond proceeds would significantly diminish.

Recommendation

To assure continued success of the 2006A Program, CSG recommends the Authority authorize temporary investment of up to \$200,000 of unrestricted general funds of the Authority's, to be used to finance additional subordinate Home Key 2nd Loans, originated in connection with the 2006A Program.

It is also recommended that the Authority adopt a Reimbursement Resolution, acknowledging its intent to issue additional Single Family Housing Subordinated Revenue Bonds, a portion of the proceeds of which would be used to reimburse the Authority for amounts expended pursuant to the above recommendation.