

Housing Finance Authority of Pinellas County, Florida
Single Family Housing Bonds
\$20,000,000* 2006 Series A-1 (AMT)
Single Family Subordinate Revenue Bonds
\$250,000* 2006 Series A-2 (AMT)
Single Family Housing Subordinated Revenue Bonds

Terms Memorandum

***Public Purpose
Objective***

The Authority's objective for the 2006A Single Family Bond Program is to fund newly originated mortgage loans which meet the requirements of:

Low-to-moderate income first-time homebuyers eligible for MRB-funded loans (traditional MRB homebuyers) by offering:

“Home Key” loans with the lowest possible interest rate with 0% origination and 0% discount points for homebuyers who have saved or otherwise have the cash required to pay down payment and closing costs; and

“Home Key 2^{nds}” up to 8% closing cost assistance second mortgages to reduce the homebuyer's cash requirements at loan closing, however, with an increased monthly interest cost to the mortgagor based on 30 year amortizing second mortgages bearing interest 1% greater than the first mortgage.

“Home Key Plus 2^{nds}” second mortgage loans up to 8% bearing a 0% interest rate funded with State of Florida SHIP funds to reduce the homebuyer's cash requirements at closing and lower the homebuyer's monthly payments.

Low-to-moderate income first time homebuyers wishing to purchase and rehabilitate an existing home and eligible for MRB-funded loans by offering:

Rehabilitation of existing housing stock purchased by (a) first time home buyers qualifying within the parameters of FHA's 203k or Fannie Mae's rehabilitation loan programs, or (b) existing homebuyers who also qualify for a “Qualified home improvement loan” or “Qualified rehabilitation loans” pursuant to the IRS Code

***Summary of
Financing Plan***

The 2006A Program combines \$20.25* million in long-term bond proceeds, with \$65,000* of HFA Funds. In addition up to \$150,000 of SHIP funds (\$150,000 Pinellas County) will be used to provide Home Key Plus 2nd Loans, however, these loans will not be Pledged Assets of the 2006A Bonds. The 2006A current interest bonds will be sold at par, except for the Premium Term Bonds which will be sold at a premium of 105.2%*. Bond Premium will be used to fund additional Mortgage Securities and to offset a portion of the Authority's cost of issuance. The 2006A-1 Bonds are being issued to provide funds to finance 2006A Mortgage Loans. Proceeds of the 2006A-2 Subordinated Bonds along with at least \$65,000* of Authority monies will be used to fund Home Key 2^{nds} and Home Key Plus 2^{nds}.

***Summary of
Mortgage Loan
Program***

Home Key loans will be funded with bond proceeds resulting in an initial mortgage rate of 5.80%*.

Proceeds of subordinate bonds may be used in conjunction with Home Key loans to fund closing cost assistance second mortgages to reduce the homebuyer's cash requirements at loan closing, however, with an increased monthly interest cost to the mortgagor based on 30 year amortizing second mortgages bearing interest at a rate of 6.80%* .

SHIP funds will be applied to fund Home Key Plus 2nds bearing interest at a rate of 0%. The Master Servicer will remit monthly payments and prepayments of principal on the Home Key Plus 2nds to the Trustee who will pay such funds to the [Issuer or Pinellas County] semi-annually.

***Summary of
Bonds***

To reduce negative arbitrage costs and achieve the lowest possible Mortgage Loan rates, the following structural elements will be utilized:

- (1) the program will commence immediately following pricing;
- (2) bonds will be priced approximately 4 weeks prior to closing;
- (3) the bond issue is "sized" to provide funding for a commitment period of approximately 6 months (a substantial portion of the proceeds of the issue¹ would be expected to be committed to mortgage loans within 6 months, purchased by the Servicer within 10 months and pooled and delivered to the Trustee within 12 months of the Pricing Date);

¹. None of bond proceeds is expected to be allocated to Lenders who purchase a longer term commitment for builder "non-spec" new construction loans, in which case the Commitment Fee would have been higher and the commitment period longer.

THE 2006A PROGRAM

Authority Contribution

The Authority will deposit approximately \$447,000* to fund a portion of the issuance costs, second mortgage over collateralization and reserves, and capitalized interest in connection with the issuance of the 2006A Bonds.

Premium Bond Funding

Premium realized from the sale of premium term bonds will be used to (1) offset the reduced cash available to compensate lenders due to the elimination of origination fees and discount points on Low Rate loans, (2) fund revenue Lag in the initial amount of 0.46%* of mortgage principal, and (3) reimburse a portion of the Authority's initial cash contribution during the origination period.

Summary of Program Funding

The 2006A Program will provide funding as follows:

1. Long Term Bond Principal – Proceeds deposited in the 2006A Acquisition Account of the Program Fund and will be initially allocated to purchase Guaranteed Mortgage Securities in the following approximate principal amounts: \$20,000,000* Home Key loans.
2. Subordinate Bond Proceeds - Proceeds deposited in the 2006A Whole Loan Mortgage Subaccount (along with \$65,000* of Authority monies) will be applied to fund Home Key 2^{nds}.
3. Bond Premium – Of the \$416,000* of bond premium deposited in the Bond Premium Subaccount approximately \$240,000* will be combined with servicing release premiums from the Master Servicer and applied to the purchase price of Mortgage Securities to compensate lenders due to the elimination of origination fees and discount points on program loans and approximately \$92,000* and will be applied to fund the Lag requirement. The balance of up to \$84,000* will be applied to reimburse a portion of the Authority's initial contribution during the origination period.
4. Earnings - Interest earned on 2006A Bond proceeds (including premium) will be transferred to the 2006A Revenue Account of the Revenue Fund. Funds deposited in the Bond Premium Subaccount of the 2006A Acquisition Account shall be included among Pledged Assets prior to and after being used to purchase securities.
5. SHIP Monies – \$150,000* of SHIP monies deposited in the SHIP Funds Subaccount of the 2006A Acquisition Account will be used to purchase Home Key Plus 2nd whole loans. SHIP monies shall be excluded from Pledged Assets at all times.

Program Terms by Type of Loan Loan rates and borrower points for FHA/VA/RD loans securitized by GNMA or conventional loans securitized by Fannie Mae are initially:

	<u>Home Key</u>	<u>Home Key Plus 2^{nds}</u>	<u>Home Key 2^{nds} (up to 8%)</u>
Interest Rate	5.80%*	0.000%	6.80%*
Origination Fee	0.000%	0.000%	0.000%
Discount (GNMA)	0.000%	0.000%	0.000%
Discount (FNMA)	0.000%	0.000%	0.000%
Amortization Period	30 Yrs.	30 Yrs.	30 Yrs.

Down Payment and Closing Cost Seconds At loan closing, each borrower using a Home loan may borrow up to 8% of the first loan principal amount to pay all or a portion of the borrower’s down payment and/or closing costs, including property tax and hazard insurance escrow contributions, as allowed by FHA, VA, RD and Fannie Mae. Such loans will be secured by second mortgages bearing interest 1% higher than the first mortgage loan (or 0% in the case of Home Key Plus 2^{nds}) amortized over 30 years. When combined with proceeds expected to be available from the Authority’s 2005B Program (approximately \$175,000), the 2006A Program has been sized to provide approximately 61% of the total program loan principal or approximately \$490,000 in second mortgages (assuming an average second mortgage in the amount of 4% of loan principal), not including Home Key Plus 2^{nds} funded with SHIP monies.

Area of Operation Home Key loans will be made available in Pasco, Pinellas and Polk Counties. ***Home Key Plus 2nd whole loans will be made available in Pinellas County, including the Cities of Clearwater, and City of St. Petersburg.***

Targeted Area Loans Targeted Area Loans: A targeted area set aside in the amount of approximately \$ _____,000 will be required. Targeted area income and purchase price limits apply to Program Loans made in any targeted areas within the Area of Operation as listed in the Lenders Guide.

Lender Allocations & Loan Pools Program funds available for Home Key Loans will be allocated to Lenders in amounts reflecting each Lender’s (i) indicated level of interest in the Program, and (ii) performance in the Authority’s prior single family programs. In addition, a targeted area pool in the amount of approximately \$_____,000 will be made available for 12 months and initially funded with proceeds available to the Authority.

Lenders will be required to pay a Spot Commitment Fee of 1.125% of (a) the Lender's Spot Allocation in the case of individual lender allocations, or (b) the Loan Amount, in the case of loan-by-loan reservations under a SPOT pool.

Lenders will be required to pay a Builder Commitment Fee of 1.625%* for Builder Allocations, **if any**.

At the end of the "Commitment Period" (last date to obtain firm approval for a loan from the Servicer) the Authority, at its sole discretion, may (i) extend the Commitment Period for all or some Lenders, (ii) re-offer available Program funds as pools to Lenders, or (iii) instruct the Trustee to redeem Bonds at the first possible date in accordance with the Indenture.

***Loan
Reservation
Procedures***

All Spot Loans must (a) receive underwriter certification within 45 days of reservation; (b) be closed and a file delivered to the Servicer within 85 days of reservation; and (c) be cleared of exceptions and purchased by the Servicer within 115 days of reservation. Builder Reservations must (a) receive underwriter certification within 45 days of reservation; (b) be closed and a file delivered to the Servicer within 170 days of reservation; and (c) be cleared of exceptions and purchased by the Servicer within 200 days of reservation.

Loans not meeting these guidelines will (a) be dropped from the reservation pipeline, or (b) at the sole discretion of the Authority and upon receipt of an extension fee payable to the Authority in the amount of 0.25% per month of extension, may be delivered at a later date.

LENDER COMPENSATION

	<u>Home Key</u>	
	GNMA	Fannie
Commitment Fees Paid	-1.125%	-1.125%
Origination/Discount	0.000%	0.000%
Homebuyer Assistance	0.000%	0.000%
Par Purchase Price plus:		
Premium (Discount)	<u>2.875 %</u>	<u>2.875%</u>
Net Lender Profit	1.750%	1.750%

Lenders will not be required to pay the 1.125% commitment fee for loans reserved under the Spot Pool and Targeted Area Pool. The purchase price paid by the Servicer for Home Key Loans reserved under spot pool will be 1.125% less than the amounts shown above. The Servicer will pay 1.125% of the Servicing Release Fee for loans originated pursuant to Home Key Pools to the Authority periodically during the Delivery Period. Home Key 2^{nds} and Home Key Plus 2^{nds} will be purchased by the Master Servicer from Originating Lenders at Par. Borrowers will be charged a fee of \$150 from the proceeds of Home Key 2^{nds} and Home Key Plus 2^{nds} by the Servicer in lieu of an ongoing servicing fee.

Rapid Delivery Premium There will be no premium provided to lender for rapid delivery.

Home Key Income/Acquisition Price Limits

MRB Program Income & Price Limits For each Mortgage Loan, the income eligibility limits and home purchase price limits will be as follows:
Non-Targeted Areas [UPDATE]

<i>County</i>	<i>Income Limits</i>		<i>Acquisition Price Limits</i>	
	<i>1-2 Person</i>	<i>3 or More</i>	<i>All Housing</i>	
Pasco	52,150	60,432	204,432	
Pinellas	52,150	60,432	204,432	
Polk	52,150	60,432	204,432	

Targeted Areas

<i>County</i>	<i>Income Limits</i>		<i>Acquisition Price Limits</i>	
	<i>1-2 Person</i>	<i>3 or More</i>	<i>All Housing</i>	
Pasco	N/A	N/A	N/A	N/A
Pinellas	63,060	73,570	249,862	
Polk	63,060	73,570	249,862	

Home Key Plus Income/Acquisition Price Limit

Home Key Plus Income Limits Home Key Plus loans will be made available to homebuyers with incomes of 80% or less than the area median income based on household size.

<i>Household Size</i>	<i>80% Median Income</i>
1 Person	29,250
2 Person	33,400
3 Person	37,600
4 Person	41,750
5 Person	45,100
6 Person	48,450
7 Person	51,800
8 Person	55,100

Home Key Plus Purchase Price Limits

New & Existing

Pinellas	204,432
Pasco	204,432

Additional Funds During Loan Origination Period

Master Servicer Payments. The Master Servicer will purchase servicing rights to all 2006A-1 Program Mortgage Loans by paying a Servicing Acquisition Fee equal to 1.95% of each GNMA Certificate and 1.40% of each Fannie Mae Certificate. Lender commitment fees reimbursed to lenders at the time loans are purchased will be netted from the amount of the Servicing Acquisition Fee payable to the Authority as each loan is purchased.

HFA Cost Recovery upon Loan Origination

Approximately \$447,000* of Authority general funds and \$150,000* of County/City SHIP funds to be paid at closing is to be used to fund (i) a portion of bond issuance costs, (ii) a portion of the purchase price mortgage securities, (iii) a subordinated bond debt service reserve account, and (iv) a capitalized interest reserve to fund debt service costs (negative arbitrage) associated with the 2006A Bonds. The Authority expects to recover approximately \$67,500* initially, approximately \$241,500 during the origination period, \$40,000* of unused capitalized interest, resulting in net investment (assuming full origination) of approximately \$98,000* excluding SHIP funds (see Issuer Economics appended hereto).

Recovery of SHIP Funds

To the extent SHIP funds are used to purchase Home Key Plus 2nd whole loans, these monies will be recovered by the Authority over the life of the 2006A Program from periodic distributions of Surplus Pledged Receipts. **Surplus Pledged Receipts may be paid to the Authority by the Trustee on any interest payment date provided: (a) the Premium PAC bond and Subordinate Bond have been fully paid, and (2) the asset/liability ratio is at least 104%.**

**Summary of
Bonds**

THE BONDS

The 2006A Bonds are being issued pursuant to an Indenture of Trust dated as of January 1, 1998 (the “Master Indenture”), between the Issuer and U.S. Bank Trust National Association, as trustee (the “Trustee”), as supplemented pursuant to the 2006A Series Supplemental Indenture of Trust dated as of April 1, 2006, between the Issuer and the Trustee (the “2006A Series Supplement”).

The 2006A-1 Bonds are being issued to (i) provide funds for a program (the “2006A Program”) pursuant to which the Issuer will purchase fully-modified mortgage-backed securities (the “2006A GNMA Certificates”), guaranteed as to timely payment of monthly principal and interest by the Government National Mortgage Association (“GNMA”) and backed by pools of qualifying FHA-insured, VA-guaranteed or RD-guaranteed Mortgage Loans which have been made by certain mortgage lending institutions (the “Lenders”), or single pool mortgage-backed securities (“2006A Fannie Mae Securities”) guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association (“Fannie Mae”) and backed by pools of qualifying Conventional Mortgage Loans made by Lenders and insured by Private Mortgage Insurance in certain circumstances, all of which Mortgage Loans will be made to qualified persons or families in Pasco, Pinellas and Polk Counties, Florida (collectively, the “Area of Operation”), and (ii) to fund certain other costs.

The 2006A-2 Subordinate Bonds are being issued to provide funds for down payment and closing cost loans secured by whole loan second mortgages all of which will be made to qualified persons or families in the Area of Operation. The second mortgagors will be serviced by the Master Servicer and mortgagors will be required to make a single monthly payment for the first and second mortgages.

**Sources of Bond
Capacity**

2006A Bonds: The \$20.250* million principal amount plus premium of \$416,000* includes the following refunding and new allocation components:
(1) See 32 Year Rule Analysis for Prior Bonds refunded

Authorization

The Bonds are authorized under the Authority’s Single Family Housing Revenue Bonds, Master Indenture and the 2006A Series Supplement. The 2006A-1 Bonds are secured on a parity basis and with all additional Senior Bonds expected to be issued under the Authority’s Master Trust Indenture. The 2006A-2 Bonds are secured on a parity basis and with all additional Subordinate Bonds expected to be issued under the Authority’s Master Trust Indenture.

Rating The 2006A-1 Bonds are expected to be rated ‘Aaa’ by Moody’s. The 2006A-2 Bonds are expected to be rated [‘Baa2’] by Moody’s.

Tax Status All 2006A Bonds are subject to the federal Alternative Minimum Tax (“AMT”). All 2006A Bonds are exempt from taxation under the laws of the State of Florida, except as to estate taxes and certain taxes imposed on corporations.

Bond Pricing All 2006A Bonds, except for the Premium Term bonds, are expected to be sold at a price of par (100%). The Premium Term bonds are expected to be sold at a price of 105.2%* The Premium Term bonds are expected to have an average life of 5.5* years between 100% and 400% PSA prepayments. Premium Term Bonds will be redeemed in accordance with the Series Indenture up to the Premium Bonds Outstanding Table from both 2006A Prepayments and up to the 100% PSA Premium Term Bond Redemption Table from 2006A Surplus until fully paid.

Security for the Senior Bonds During the loan origination period, the escrowing and investment of 100% of the original sale proceeds plus the Authority’s contribution will secure the Senior Bonds. As the Bond Trustee purchases securities, monies will be drawn down under the Acquisition Fund Investment Agreement to fund the purchases.

Investment Agreements The 2006A Acquisition Account will be invested in an Acquisition Fund guaranteed investment agreement (“GIC”) with _____ at the rate of _____% (Actual/Actual) until _____ 2007 or earlier complete withdrawal. Certain Authority funds will be included among the moneys initially deposited in the 2006A Acquisition Fund investment and are not pledged assets under the Indenture. Interest earnings on such Authority funds are pledged revenues for the 2006A Bonds.

From the date of Closing until and continuing through the final bond maturity, all monthly payments of mortgage interest and principal, prior to being applied to semi-annual payments of interest and principal on the Bonds, will be invested by the Trustee in a General (“Float”) Investment Agreement with _____ at the rate of _____% per annum (Actual/Actual). In addition, the 2006A Capitalized Interest Account will be invested in the General Fund Investment Agreement from the date of Closing until March 1, 2037 or earlier complete withdrawal.

Housing Finance Authority of Pinellas County, Florida
Single Family Housing Revenue Bonds
2006A Bonds
Key Dates and Program Structure Assumptions

(RBC Dain Rauscher & Co./George K. Baum & Company/Citigroup Global Markets, Inc.)

Description	Pricing Date:	3/15/06
	Dated Date:	4/11/06
	Delivery Date:	4/11/06
	First Interest Payment Date:	9/1/06
	First Maturity Date:	9/1/07
	Final Maturity Date:	3/1/37
	Final Maturity Date 2005 B-2 Bonds:	3/1/37
Redemption Provisions	Special Mandatory Redemption on/after 9/1/06 or by:	12/1/06 (First 50%) 5/1/07 (Last 50%)
	Mandatory Redemption - First Date Prepayments	9/1/07
	Mandatory Redemption - First Date Surplus Revs	9/1/07
	Optional Redemption:	
	3/1/15* – and after	100%
Program Description	Program Start Date:	3/16/06
	Applications may be dated on or after:	2/1/06
	First Security Purchase Date:	6/15/06
	Last Security Purchase Date (without extending):	4/14/07
	Low Rate Loan Rate: (0%/0% orig./discount pts)	<u>5.75%*</u>
	Maximum Original Term of Securities	360 months
	Administrative Fees: (in arrears starting 9/1/07)	.15% Home Key
	Trustee Fees: (in advance starting 9/1/06)	.0250% of Bonds Plus max expense 0.0025%
Lender Allocations	<u>Loan Origination/Commitment Periods</u>	
	Last Date - Firm Commitments (Spot Allocations)	
	Last Date - Purchase Loans (Spot Allocations)	115 days from Reservation
	Last Date - Firm Commitments (Builder Allocation)	90 days from Reservation
	Last Date - Purchase Loans (Builder Allocation)	175 days from Reservation
Investment Agreements	Acquisition Funds - Rate	%
	Acquisition Funds - Maturity Date	May 1, 2007
	Float Funds - Rate	%
	Float Funds - Maturity Date	March 1, 2037