

Housing Finance Authority of Pinellas County, Florida
Single Family Housing Revenue Bonds
\$20,000,000* 2007 Series A-1 (AMT)

Terms Memorandum

**Public Purpose
Objective**

The Authority's objective for the 2007A 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” 30 year amortizing first mortgages with the lowest possible interest rate requiring 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

“10/30” first mortgages allowing a 10 year interest only period followed by a 30 year amortization with the lowest possible interest rate requiring 0% origination and 0% discount points for homebuyers who have saved or otherwise have the cash required to pay down payment and closing costs.

Eligible 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.

Making Pinellas Home: Up to \$15,000 is available to eligible homebuyers purchasing residences in Pinellas County for down payment and closing costs. The subordinate mortgage offered by the County in connection with the HFA's bond program bears 0% interest with no payments required for five (5) years and is then amortized over two to twenty years, depending on the amount borrowed.

HomeTown Heros Plus: Up to \$25,000 is available to eligible homebuyers (including police, fire or emergency medical service personnel, County School employees, hospital workers, 911 dispatchers, assisted living facility employees, pharmacy technicians, and active duty or reserve military personnel) purchasing residences in Pinellas County for down payment and closing costs. The subordinate mortgage offered by the County in connection with the Authority's bond program bears 0% interest with no payments required for five (5) years and is then amortized over twenty-five years, with a minimum \$25 monthly payment required.

Summary of Financing Plan

The program is funded with \$20,000,000* par amount of long term tax plus \$435,000* of bond premium. All bonds are priced at par except the Premium PAC Bonds. The Premium PAC Bonds are priced at 104.35%* resulting in a premium of \$435,000*, which is expected to be used to fund (i.) a portion of the purchase price of mortgage securities allocable to lender compensation and, (ii.) the cash flow lag.

Summary of Mortgage Loan Program

Home Key and Home Key 10/30 loans will be funded with bond proceeds resulting in initial mortgage rates of 5.75%*, and 5.99%*, respectively.

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 very shortly following pricing;
- (2) bonds were 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 2007A PROGRAM

Authority Contribution

The Authority will deposit \$410,000* to fund issuance costs and capitalized interest in connection with the issuance of the 2007A Bonds.

Premium Bond Funding

Premium realized from the sale of the PAC Bond 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 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 2007A Program will provide funding as follows:

- 1. Long Term Bond Principal – Proceeds deposited in the 2007A Acquisition Account of the Program Fund will initially be allocated to purchase Guaranteed Mortgage Securities in the following principal amounts (estimates):

Home Key loans	\$18,000,000*
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10/30 Loans	<u>2,000,000*</u>
Total first mortgages	\$20,000,000*

2. **Bond Premium** – Of the \$435,000* of bond premium deposited in the Bond Premium Subaccount approximately \$116,375* 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 \$92,000* to fund the Lag requirement. The balance of up to \$226,625* will be applied to reimburse a portion of the Authority’s initial contribution during the origination period.

Earnings - Interest earned on 2007A Bond proceeds (including premium) will be transferred to the 2007A Revenue Account of the Revenue Fund. Funds deposited in the Bond Premium Subaccount of the 2007A Acquisition Account shall be included among Pledged Assets prior to and after being used to purchase securities.

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 as follows:

	<u>Home Key Loan</u>	<u>10/30 Loan</u>
Interest Rate	5.5%*	5.99%*
Origination Fee	0.00%	0.00%
Discount (GNMA)	0.00%	0.00%
Discount (FNMA)	0.00%	0.00%
Amort. Period	30 Yrs.	Int. Only 10 Yrs. / Amort. 30 Yrs.

Area of Operation Home Key first mortgages, as well as Home Key 10/30 first mortgages will be made available in Pasco, Pinellas and Polk Counties.

Targeted Area Loans Targeted Area Loans: A targeted area set aside in the amount of \$[] 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 and Home Key 10/30 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, the targeted area pool 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. **There were no Builder Commitments at the inception of the program.**

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 Loan</u>		<u>Home Key 10/30 Loan</u>	
	<u>GNMA</u>	<u>Fannie/ Freddie</u>	<u>GNMA</u>	<u>Fannie/ Freddie</u>
Commitment Fees Paid	-1.125%	-1.125%	-1.125%	-1.125%
Origination/Discount	0.000%	0.000%	0.000%	0.000%
Homebuyer Assistance	0.000%	0.000%	0.000%	0.000%
Par Purchase Price plus:				
Premium (Discount)	<u>2.875%</u>	<u>2.875%</u>	<u>2.875%</u>	<u>2.875%</u>
Net Lender Profit	1.750%	1.750%	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.

Rapid Delivery Premium There will be no premium provided to lenders 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 limit will be as follows:

<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	237,031
Pinellas	52,150	60,432	237,031
Polk	52,150	60,432	237,031

<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	293,526	
Polk	63,060	73,570	289,704	

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.

Household Size	80% Median Income
1 Person	\$30,450
2 Person	34,800
3 Person	39,150
4 Person	43,500
5 Person	47,000
6 Person	50,450
7 Person	53,950
8 Person	57,400

Home Key Plus Purchase Price Limits		New & Existing
	Pinellas	\$237,031
	Pasco	\$237,031

Additional Funds During Loan Origination Period Master Servicer Payments. The Master Servicer will purchase servicing rights to all 2007A-1 Program Mortgage Loans by paying a Servicing Acquisition Fee equal to 1.95% of each GNMA Certificate, 1.40% of each Fannie Mae Certificate comprised of pools of 30 year loans, and 1.22%* of each Fannie Mae Certificate comprised of pools of 40 year (10/30) loans. 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 \$410,000* of Authority general funds to be paid at closing is to be used to fund (i) the bond issuance costs, and (ii) a capitalized interest reserve to fund debt service costs (negative arbitrage) associated with the 2007A Bonds. The Authority expects to recover approximately \$84,375* initially, approximately \$255,985* during the origination period, and \$70,000* of unused capitalized interest, resulting in net investment (assuming full origination) of approximately \$0*.

Recovery of Authority Funds **Surplus Pledged Receipts may be paid to the Authority by the Trustee on any interest payment date provided: (a) the Premium PAC bonds have been fully paid, and (2) the asset/liability ratio is at least 104%.**

**Summary of
Bonds**

THE BONDS

The 2007A 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 2007A Series Supplemental Indenture of Trust dated as of July 1, 2007*, between the Issuer and the Trustee (the “2007A Series Supplement”).

The 2007A-1 Bonds are being issued to (i) provide funds for a program (the “2007A Program”) pursuant to which the Issuer will purchase fully-modified mortgage-backed securities (the “2007A 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 (“2007A 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.

Sources of Bond Capacity 2007A Bonds: The \$20,000,000* principal amount plus premium of \$435,000* 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 2007A Series Supplement. The 2007A Bonds are secured on a parity basis and with all additional Senior Bonds expected to be issued under the Authority’s Master Trust Indenture.

Rating	The 2007A Bonds are ‘Aaa’ by Moody’s.
Tax Status	All 2007A Bonds are subject to the federal Alternative Minimum Tax (“AMT”). All 2007A Bonds are exempt from taxation under the laws of the State of Florida, except as to estate taxes and certain taxes imposed on corporations.
Premium Bond Pricing & Structure	All 2007A Bonds, except for the Premium PAC Bonds, are expected to be sold at a price of par (100%). The Premium PAC Bonds were sold at a price of 104.35%*. The Premium PAC Bonds are expected to have an average life of 6.0* years between 125% and 400% PSA prepayments. Premium PAC Bonds will be redeemed in accordance with the Series Indenture up to the Premium PAC Bonds Outstanding Table from both 2007A Prepayments and <u>2007A Surplus</u> 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	<p>The 2007A Acquisition Account will be invested in an Acquisition Fund guaranteed investment agreement (“GIC”) with [] at the rate of []% (Actual/Actual) until December 1, 2008* or earlier complete withdrawal. Certain Authority funds will be included among the moneys initially deposited in the 2007A Acquisition Fund investment and are not pledged assets under the Indenture. Interest earnings on such Authority funds are pledged revenues for the 2007A Bonds.</p> <p>In addition, all monthly payments of mortgage interest and principal, prior to being applied to semi-annual payments of interest and principal on the Bonds, plus the 2007A Capitalized Interest Account will be invested by the Trustee in a General (“Float”) Investment Agreement with [] at the rate of []% per annum (Actual/Actual) from the date of Closing until September 1, 2048 or earlier complete withdrawal.</p>

