

Housing Finance Authority of Pinellas County, Florida
Single Family Housing Revenue Bonds
\$20,000,000 2006 Series B-1 (AMT)
Single Family Housing Subordinated Revenue Bonds
\$550,000 2006 Series B-2 (AMT)

Terms Memorandum

***Public Purpose
Objective***

The Authority's objective for the 2006B 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 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 amortization bearing interest 1% greater than the first mortgage.

“10/30” first mortgages with an 10 year interest only period followed by a 30 year amortization 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

“10/30 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 10 year amortization bearing interest 1% greater than the first mortgage.

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 2006B Program combines \$20.55* million in long-term bond proceeds, with \$143,000* of HFA Funds. The 2006B current interest bonds will be sold at par, except for the Premium Term Bonds which will be sold at a premium of 105.50*%. Bond Premium will be used to fund additional Mortgage Securities and to offset a portion of the Authority's cost of issuance. The 2006B-1 Bonds are being issued to provide funds to finance 2006B Mortgage Loans. Proceeds of the 2006B-2 Subordinated Bonds along with at least \$197,600* of Authority monies will be used to fund Home Key 2^{nds} and 10/30 2^{nds}.

***Summary of
Mortgage Loan
Program***

Home Key and 10/30 loans will be funded with bond proceeds resulting in initial mortgage rates of 5.95%*, and 6.00%*, respectively.

Proceeds of subordinate bonds may be used in conjunction with Home Key or 10/30 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. The Home Key 2nd is based on 30 year amortizing second mortgages bearing interest at a rate of 6.95%*. The 10/30 2nd is based on 10 year amortizing second mortgages bearing interest at a rate of 7.00%*.

***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 2006B PROGRAM

Authority Contribution

The Authority will deposit \$541,000* to fund a portion of the issuance costs, second mortgage over collateralization and reserves, and capitalized interest in connection with the issuance of the 2006B 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 amount of 0.50%* of mortgage principal, and (3) reimburse a portion of the Authority's initial cash contribution during the origination period.

Summary of Program Funding

The 2006B Program will provide funding as follows:

1. Long Term Bond Principal – Proceeds deposited in the 2006B Acquisition Account of the Program Fund will initially be allocated to purchase Guaranteed Mortgage Securities in the following principal amounts (estimates):

Home Key loans	\$13,000,000*
10/30 loans	<u>7,000,000*</u>
Total first mortgages	\$20,000,000*

2. Subordinate Bond Proceeds - Proceeds deposited in the 2006B Whole Loan Mortgage Subaccount (along with \$197,600* of Authority monies) will be applied to fund second mortgages in the following principal amounts (estimates):

Home Key 2 ^{nds}	\$450,450*
10/30 2 ^{nds}	<u>242,550*</u>
Total 2 nd mortgages	\$693,000*

3. Bond Premium – Of the \$550,000* 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 \$100,000* and will be applied to fund the Lag requirement. The balance of up to \$210,000* will be applied to reimburse a portion of the Authority's initial contribution during the origination period.
4. Earnings - Interest earned on 2006B Bond proceeds (including premium) will be transferred to the 2006B Revenue Account of the Revenue Fund. Funds deposited in the Bond Premium Subaccount of the 2006B 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 initially:

	<u>Home Key</u>	<u>Home Key 2^{nds}</u>	<u>10/30</u>	<u>10/30 2^{nds}</u>
Interest Rate	5.95%*	6.95%*	6.00%*	7.00%*
Origination Fee	0.00%	0.00%	0.00%	0.00%
Discount (GNMA)	0.00%	0.00%	0.00%	0.00%
Discount (FNMA)	0.00%	0.00%	0.00%	0.00%
Amort. Period	30 Yrs.	30 Yrs.	Int. Only 10 Yrs. / Amort 30 Yrs.	10 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. Home Key 2^{nds} will be amortized over 30 years; 10/30 2^{nds} will be amortized over 10 years. The 2006B Program has been sized to provide approximately 60% of the total program loan principal or approximately \$693,000* in second mortgages (assuming an average second mortgage in the amount of 6% of loan principal).

Area of Operation Home Key first and second mortgages, as well as 10/30 first and second 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 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, a targeted area pool in the amount of approximately \$[_____] * 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 Loan</u>		<u>10/30 Loan</u>	
	GNMA	Fannie/ Freddie	GNMA	Fannie/ Freddie
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. Home Key 2^{nds}, Home Key Plus 2^{nds}, and 10/30 2^{nds} will be purchased by the Master Servicer from Originating Lenders at Par. In lieu of an ongoing servicing fee, the Servicer will charge borrowers a fee of \$150 from the proceeds of Home Key 2^{nds} and 10/30 2^{nds}.

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

<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

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	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.

<i>Household Size</i>	<i>80% Median Income</i>
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		<i>New & Existing</i>
	Pinellas	237,031
	Pasco	237,031

Additional Funds During Loan Origination Period Master Servicer Payments. The Master Servicer will purchase servicing rights to all 2006B-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 \$541,000* of Authority general 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 2006B Bonds. The Authority expects to recover approximately \$90,000* initially, approximately \$345,000* during the origination period, \$21,525* of unused capitalized interest, resulting in net investment (assuming full origination) of approximately \$84,475*.

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 bond and Subordinate Bond have been fully paid, and (2) the asset/liability ratio is at least 104%.**

**Summary of
Bonds**

THE BONDS

The 2006B 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 September 1, 2006*, between the Issuer and the Trustee (the “2006B Series Supplement”).

The 2006B-1 Bonds are being issued to (i) provide funds for a program (the “2006B Program”) pursuant to which the Issuer will purchase fully-modified mortgage-backed securities (the “2006B 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 (“2006B 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 2006B-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**

2006B Bonds: The \$20.55* million principal amount plus premium of \$550,000* 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 2006B Series Supplement. The 2006AB-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 2006B-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.

<i>Rating</i>	The 2006B-1 Bonds are expected to be rated 'Aaa' by Moody's. The 2006B-2 Bonds are expected to be rated 'Baa2' by Moody's.
<i>Tax Status</i>	All 2006B Bonds are subject to the federal Alternative Minimum Tax ("AMT"). All 2006B Bonds are exempt from taxation under the laws of the State of Florida, except as to estate taxes and certain taxes imposed on corporations.
<i>Bond Pricing</i>	All 2006B Bonds, except for the Premium Term bonds, are expected to be sold at a price of par (100%). The Premium Term bonds were sold at a price of 105.50%. The Premium Term bonds are expected to have an average life of 5.9* years between 125%* 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 2006B Prepayments <u>and up to the 100% PSA Premium Term Bond Redemption Table from 2006B Surplus</u> until fully paid.
<i>Security for the Senior Bonds</i>	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.
<i>Investment Agreements</i>	<p>The 2006B Acquisition Account will be invested in an Acquisition Fund guaranteed investment agreement ("GIC") with [] at the rate of 5.00%* (Actual/Actual) until March 1, 2008* or earlier complete withdrawal. Certain Authority funds will be included among the moneys initially deposited in the 2006B Acquisition Fund investment and are not pledged assets under the Indenture. Interest earnings on such Authority funds are pledged revenues for the 2006B Bonds.</p> <p>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 4.40%* per annum (Actual/Actual). In addition, the 2006B Capitalized Interest Account will be invested in the General Fund Investment Agreement from the date of Closing until September 1, 2047* or earlier complete withdrawal.</p>

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

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

Description	Pricing Date:	9/27/06*
	Dated Date:	10/24/06*
	Delivery Date:	10/24/06*
	First Interest Payment Date:	3/1/07*
	First Maturity Date:	3/1/08*
	Final Maturity Date:	9/1/37*
	Final Maturity Date 2006 B-2 Bonds:	9/1/37*
Redemption Provisions	Special Mandatory Redemption on/after 3/1/07* or by:	6/1/07* (First 50%) 11/1/07* (Last 50%)
	Mandatory Redemption - First Date Prepayments	3/1/08*
	Mandatory Redemption - First Date Surplus Revs	3/1/08*
	Optional Redemption: 9/1/15 – and after	100%
Program Description	Program Start Date:	9/27/06*
	Applications may be dated on or after:	8/1/06*
	First Security Purchase Date:	12/15/06*
	Last Security Purchase Date (without extending):	10/15/07*
	Home Key Loan Rate: (0%/0% orig./discount pts)	<u>5.95%*</u>
	Home Key 2nd Loan Rate: (\$150 origination fee*)	<u>6.95%*</u>
	Maximum Original Term of Home Key Loans	360 months
	10/30 Loan Rate: (0%/0% orig./discount pts)	<u>6.00%*</u>
	10/30 2nd Loan Rate: (\$150 origination fee*)	<u>7.00%*</u>
	Maximum Original Term of 10/30 Loans	480 months
	Administrative Fees: (in arrears starting 3/1/08*)	.15% on all first mortgages
	Trustee Fees: (in advance starting 3/1/07*)	.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	5.00%*
	Acquisition Funds - Maturity Date	March 1, 2008*
	Float Funds - Rate	4.40%*
	Float Funds - Maturity Date	September 1, 2047*