

# NCSHA 2016 Annual Awards Entry Form

(Complete one form for each entry)

**Deadline: Wednesday, June 15, 2016**

Visit [ncsha.org/awards](http://ncsha.org/awards) to view the Annual Awards Call for Entries.

**Instructions:** Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact [awards@ncsha.org](mailto:awards@ncsha.org) or 202-624-7710.

Fill out the entry name *exactly* as you want it listed in the program.

**Entry Name:** Springing Forward Cost Savings and Flexibility

**HFA:** Florida Housing Finance Corporation ("FHFC")

**Submission Contact:** (Must be HFA Staff Member) Melanie Weathers **Email:** melanie.weathers@floridahousing.org

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

Maximizing cost savings and flexibility by downsizing to one rating agency - Achieving the goal.

Use this header on the upper right corner of each page:

**HFA:** Florida Housing Finance Corporation

**Entry Name:** Springing Forward Cost Savings and Flexibility

**Select the appropriate subcategory of your entry and indicate if you are providing visual aids.**

Communications	Homeownership	Legislative Advocacy	Management Innovation
<input type="radio"/> Annual Report <input type="radio"/> Creative Media <input type="radio"/> Promotional Materials and Newsletters	<input type="radio"/> Empowering New Buyers <input type="radio"/> Encouraging New Production <input type="radio"/> Home Improvement and Rehabilitation	<input type="radio"/> Federal Advocacy <input type="radio"/> State Advocacy	<input checked="" type="radio"/> Financial <input type="radio"/> Human Resources <input type="radio"/> Operations <input type="radio"/> Technology
Rental Housing	Special Needs Housing	Special Achievement	Are you providing visual aids?
<input type="radio"/> Encouraging New Production <input type="radio"/> Multifamily Management <input type="radio"/> Preservation and Rehabilitation	<input type="radio"/> Combating Homelessness <input type="radio"/> Housing for Persons with Special Needs	<input type="radio"/> Special Achievement	<input type="radio"/> Yes <input checked="" type="radio"/> No

**Background:** Florida Housing issues bonds to finance its single family program under two parity bond indentures: (1) the Homeowner Mortgage Revenue Bonds (“1995 Indenture”) and (2) the Homeowner Mortgage Revenue Bonds (Special Program) (the “NIBP Indenture”). Florida Housing’s NIBP Indenture was created specifically for the NIBP Program in order to achieve a triple-A rating for the purpose of achieving the best pricing available from the US Treasury under the New Issue Bond Program and to allow for the use of one rating and therefore lower costs of issuance. To achieve the desired triple-A rating, Florida Housing has limited the use of NIBP bond proceeds to the funding of Mortgage Backed Securities (“MBS”). In contrast, Florida Housing’s 1995 Indenture has funded both whole loans (no whole loans originated after 2001), and MBS, and required ratings from three rating agencies. However, in November 2015 Florida Housing was permitted to issue bonds under the 1995 Indenture with just one rating due to a “springing amendment” that it had included in a 2007 bond issuance, which had met the implementation criteria. As a result of issuing its \$55,000,000 Homeowner Mortgage Revenue Bonds 2015 Series 1 with one rating Florida Housing decreased its cost of issuance. It is expected that over five years Florida Housing’s savings will be over \$1.4M (*assuming 2 issues per year and \$140,000 of savings per issue*). Florida Housing will invest the savings back into its single family program. Florida Housing will also be able to enter into the market to price bonds with greater ease and efficiency by only coordinating with one rating agency. An additional positive action occurred on November 11, 2016 when the 1995 Indenture was upgraded from Aa1 to Aaa, which was due in part to the 82.5% MBS to 17.5% whole loan portfolio composition.

**Management Challenge:** Florida Housing Finance Corporation created a Master Trust Indenture in October of 1995 to issue multiple series of its Homeowner Mortgage Revenue Bonds to finance the purchase of single family loans targeted to first time home buyers. To date, Florida Housing has issued thirty-five series of single family bonds totaling \$3.3 billion. When the Master Trust Indenture was created, Florida Housing obtained ratings from the three primary rating agencies that were active at the time (Moody’s, Standard & Poor’s and Fitch) in order to enhance the marketability of the bonds. In so doing, it was presumed that investors would have a greater degree of confidence regarding the credit profile of a newly created single family resolution.

Over time, Florida Housing found that having three rating agencies was a challenge in terms of administrative burden and cost. Each rating agency performed annual reviews of the resolution which required significant staff time to facilitate. In addition, coordinating a review with three rating agencies required more time to bring each single family issue to market resulting in limited flexibility for Florida Housing to benefit from favorable market conditions. Lastly, the expense of three ratings when Florida Housing issued multiple series of bonds each year became very costly.

**The Problem:** It would seem based on the management problem encountered by Florida Housing that an easy solution would be to downsize the number of ratings from three to one or two. However, Florida Housing’s open resolution specified that the removal of one or more rating agencies would require an amendment to the Indenture triggering the need for approval by a majority of bondholders. With a large volume of bonds outstanding that were sold to both retail and institutional investors, it would be exceedingly difficult to obtain the requisite bondholder approval.

**Innovative Solution:** After consulting with the Corporation’s investment bankers and attorneys, Florida Housing undertook an innovative solution to the problem. The Corporation began inserting a disclosure in all official statements covering future series of Homeowner Mortgage Revenue Bonds commencing

with its 2007 Series 5 bond issue indicating its intent to amend the definition of “Rating Agency” under the Indenture once more than 50% of bondholders approve the amendment. The term “Rating Agency” was changed to indicate that “one or more of Fitch, Moody’s and S&P” could rate the bonds. Furthermore, Florida Housing covenanted to “provide all reasonably requested information and pay the fees required to keep at least one rating on the Bonds in place at all times.” The unique feature of the disclosure was that Florida Housing’s official statement effectively provided consent from all purchasers of the applicable series of bonds based on the following statement: “Each purchaser of a ... Bond by virtue of their purchase ... [thereof] will be deemed to have consented to the Proposed amendment and to have waived such purchaser’s right to receive any notice of such Proposed Amendment required by the Indenture.” By taking this action, once the percentage of bonds issued after October 2, 2007 exceeded 50% of all outstanding Bonds under the Indenture, Florida Housing would be able to downsize from three ratings to one or two.

**Conclusion:** On November 13, 2015, upon closing of the 2015 Series 1 Homeowner Mortgage Revenue Bond Issue, Florida Housing reached the point where over 50% of bondholders had consented to the amendment of the Rating Agency definition. For this and future issues, Florida Housing is able to reduce the number of Rating Agencies rating our Bonds to one rating agency (“Moody’s”). In consultation with the Corporation’s investment bankers and attorneys, disclosure was carefully crafted and posted on EMMA to advise all outstanding bondholders and prospective bond purchasers of the change. The public was also advised that, if requested, Florida Housing would continue to provide information relating to the Indenture to Fitch and S&P if the rating agencies intended to maintain their ratings going forward. In connection with the issuance of the 2015 Series 1 Bonds, the rating of the Indenture was upgraded from Moody’s “Aa1” to “Aaa” which was a positive factor in marketing the Bonds. Florida Housing has issued three series of bonds since taking this action with no discernable effect on bond pricing by reducing the rating agencies that rate FHFC bonds. As a result of the action taken, Florida Housing will enjoy significant cost savings as well as greater flexibility in terms of timing of future bond offerings. These cost savings over the next five years is expected to be approximately \$1.4 million.

**EMMA Disclosures:**

**Notice of Amendment to Trust Indenture  
Florida Housing Finance Corporation Homeowner Mortgage Revenue Bonds**

The Florida Housing Finance Corporation (“Florida Housing”) has issued its Homeowner Mortgage Revenue Bonds (the “HMR Bonds”) under and pursuant to a Trust Indenture, dated as of October 1, 1995 (as amended and supplemented, the “Master Indenture”). Historically, bonds issued under the Master Indenture have been rated by Fitch Ratings, Inc. (“Fitch”), Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Rating Services (“S&P”). On October 10, 2007, pursuant to that certain Thirty-Third Supplemental Indenture and the subsequent receipt of the consent of the owners of a majority in principal amount of the HMR Bonds then outstanding, Florida Housing amended the definitions of “Rating Agency” or “Rating Agencies” and the definition of “Rating Quality” previously contained in the Master Indenture to effectively only require Florida Housing to maintain at least one rating on the HMR Bonds.

As a result of the amendment to the Master Indenture described above and due to increased costs in maintaining ratings from three rating agencies, Florida Housing anticipates that bonds issued under the Master Indenture in the future will only be rated by Moody’s. Florida Housing intends to continue to provide information and financial data to Fitch and S&P to enable Fitch and S&P to continue to maintain ratings on outstanding HMR Bonds. Florida Housing can make no assurance, however, that Fitch and S&P will continue to maintain ratings on such outstanding HMR Bonds.  
Dated: November 13, 2015

**Notice of Rating Change  
Florida Housing Finance Corporation Homeowner Mortgage Revenue Bonds**

Notice is hereby provided by the Florida Housing Finance Corporation (“Florida Housing”) that effective November 11, 2015, Moody’s Investors Service, Inc. has raised the long-term credit rating on all outstanding series of Homeowner Mortgage Revenue Bonds (the “HMR Bonds”) of Florida Housing issued under and pursuant to its Trust Indenture, dated as of October 1, 1995, as amended, from “Aa1” to “Aaa.” Such series of HMR Bonds are set forth in Schedule 1 hereto.

The above referenced rating reflects only the view of the rating agency and any desired explanation of the significance of such rating should be obtained from the rating agency. There is no assurance such rating will continue for any given period of time or that the rating will not be revised or withdrawn by the rating agency, if in the judgment of the rating agency, circumstances so warrant.

The filing of this notice of rating change does not constitute or imply any representation regarding other financial or operating information about Florida Housing or any representation that no other circumstances or events have occurred which may have a bearing on the financial condition of Florida Housing or an investor’s decision to buy, sell or hold any HMR Bonds.

Dated: November 13, 2015