

**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

**QUARTERLY REPORT
For the Quarter ended December 31, 2007**

Brief History and Organization

- The East Baton Rouge Mortgage Finance Authority (the “Authority”) was created through a Trust Indenture dated August 14, 1974, pursuant to provisions of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments grant the Authority the power to issue bonds and to use the proceeds to provide financing for housing conducted in the public interest within the boundaries of East Baton Rouge Parish, Louisiana.
- Bonds issued by the Authority are special obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof. Since 1979 the Authority has issued \$1.285 billion in single family mortgage revenue bonds, which ranks the Authority 3rd nationally in volume of bonds issued and 2nd nationally in number of issues completed when compared to other parish and/or county issuers of single family bonds. As of December 31, 2007, the Authority had \$260.313 million in bonds outstanding.
- The Authority is self-supporting and has never received any appropriation of funds from any governmental agency.
- The Authority’s activities to-date have consisted exclusively of providing below conventional market mortgage loan financing (taking into account the lack of discount points and the closing cost/downpayment assistance that is available to eligible borrowers) on single family residential owner occupied housing.
- Since 1982 (except on a special 1997 program), the Authority’s mortgage lending programs have been targeted exclusively to the first time homeowner market pursuant to a change in the federal tax code enacted in that same year. However, due to recent legislation passed as a result of Hurricane Katrina, the first-time homebuyer requirement has been temporarily removed and the income and purchase price limits have been increased.
- The Authority has made a major contribution to home ownership and economic development in East Baton Rouge Parish by providing approximately \$953.433 million in below conventional market rate mortgage loan funds to 15,023 low and moderate income households.
- The Authority’s Board of Trustees is empowered under the bond trust indenture and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates.
- The Authority has employed Financial Consulting Services, Inc. (“FCSI”) as its Program Administrator since its inception in 1974 to provide administrative staff support for the Board of Trustees and its committees, general office administration for the Authority and program administration and supervision for each of its mortgage lending programs. FCSI is responsible for the development of each new bond issue and associated mortgage lending program. Once a bond issue is closed, FCSI supervises the origination process of the mortgage loans, underwrites (reviews and approves) the new mortgage loans for compliance with federal tax law and approves the mortgage loans for purchase, maintains computerized records on all mortgage loans and supervises the servicing and trustee functions for each mortgage lending program.
- Under each of its single family mortgage lending programs, the Authority utilizes Baton Rouge area financial institutions to originate the mortgage loans acquired.

- Bank of New York (formerly J P Morgan Chase) serves as the Authority's bond trustee of the separate bond programs for bond issues closed through December 31, 2006 and the 2007B bond issue closed in late December 2007. Regions Bank serves as the Authority's bond trustee of the 2007A bond issue closed during the first quarter of 2007. Each Trustee has the fiduciary responsibility for the custody and investment of all bond related funds.
- In 1995 the Authority began to further assist first-time homebuyers in purchasing their first home by offering funds of 3% - 4% of the original loan amount to be used toward the borrower's closing costs and down payment. Of the 5,622 loans made since 1995, 4,336 (77.13%) of those mostly first-time homebuyers received such down payment and closing cost assistance.

MORTGAGE LOAN PROGRAMS

The 2007A program was initiated in February, 2007 in the amount of \$40 million. Since 1982 the Authority’s programs have been restricted to first-time homebuyers. However, due to recent legislation passed as a result of Hurricane Katrina, the first-time homebuyer requirement has been temporarily removed and the income and purchase price limits have been increased. For the 2007A program an “unassisted” loan product is being offered for those buyers who may not need the assistance grant or who want the lowest possible mortgage loan rate. As of December 31, 2007, \$40,000,000 is committed to homebuyers.

Mortgage Loan Product	Mortgage Loan Type	Mortgage Loan Rate	Origination Fee	Discount Points	Assistance ♥
Assisted	FHA VA RHS	5.875%*	1.0%	None	4.0%
	Conventional	6.000%	1.0%	None	4.0%
Un-Assisted	FHA VA RHS	5.625%	1.0%	None	None
	Conventional	5.750%	1.0%	None	None

The area mortgage lenders participating with the Authority are:

- | | |
|----------------------------|------------------------|
| Chase Home Finance | Home Loan Corp. |
| Countrywide | Iberia Bank |
| Gulf Coast Bank | LA Real Estate Finance |
| Hancock Bank | Regions Bank |
| Homebuyer’s Resource Group | Whitney National Bank |

Details of the Program:

1. Loans will be 30-year fixed rate first mortgage loans.
2. FHA, VA, RHS and Conventional loans - in East Baton Rouge Parish.
3. Maximum Household Income Limits (Present monthly income multiplied by 12):

1 - 2 person family	\$67,440
3 + person family	\$78,680

4. Maximum Purchase Prices of homes that may be financed:

New, never before occupied	\$289,704
Existing, Previously Occupied	\$289,704

5. Applicant must occupy the home as his/her primary residence.

The 2007B program was initiated in late December, 2007 in the amount of \$20 million. Since 1982 the Authority's programs have been restricted to first-time homebuyers. However, due to recent legislation passed as a result of Hurricane Katrina, the first-time homebuyer requirement has been temporarily removed. For the 2007B program an "unassisted" loan product is being offered for those buyers who may not need the assistance grant or who want the lowest possible mortgage loan rate. The 2007B program has a set-aside of \$2,500,000 for loans to Public Safety Personnel ("PSP"). The PSP loans will have an interest rate that is 0.50% less than the non-PSP loans. The PSP loans can be assisted or un-assisted loans.

Loan Product	Loan Type	Mortgage Rate	Origination Fee	Discount Points	Assistance **
Assisted	FHA VA RHS	6.250%	1%	None	4%
Assisted	Conventional	6.375%	1%	None	4%
Assisted – PSP*	FHA VA RHS	5.750%	1%	None	4%
Assisted – PSP*	Conventional	5.875%	1%	None	4%
Un-Assisted	FHA VA RHS	5.875%	1%	None	None
Un-Assisted	Conventional	6.000%	1%	None	None
Un-Assisted PSP*	FHA VA RHS	5.375%	1%	None	None
Un-Assisted PSP*	Conventional	5.500%	1%	None	None

* The PSP (Public Safety Personnel) program requirements are listed below.

**The assistance is a grant of 4% of the loan amount to assist the borrower in paying a portion of the downpayment and/or closing costs.

For credit requirements or to schedule a mortgage loan appointment call:

Chase Home Mortgage	272-3053	Regions Mortgage	929-9428
	291-1580	SWBC Mortgage	292-2601
Countrywide	752-7770	Wells Fargo Home Mtg	754-3000
	673-2773		
Hancock Bank	248-7400	Whitney National Bank	376-4512
Homebuyers Resource Group	769-4663		376-4513
Iberia Bank Mortgage	923-5560		

Details of the Program:

- Loans will be 30-year fixed rate first mortgage loans.
- FHA, VA, RHS and Conventional loans - in East Baton Rouge Parish.
- Maximum Household Income Limits (Present monthly income multiplied by 12):

	<u>Targeted Areas</u>	<u>Non-Targeted Areas</u>
1 - 2 person family	\$67,440	\$56,200
3 + person family	\$78,680	\$64,630

- Maximum Purchase Prices of homes that may be financed:

	<u>Targeted Areas</u>	<u>Non-Targeted Areas</u>
New, never before occupied	\$289,704	\$237,031
Existing, Previously Occupied	\$289,704	\$237,031

Targeted Areas are Census Tract #'s: 2.00, 10.00, 11.04, 13.00, 15.00, 21.00, 22.00, 28.00, 31.02.

- Applicant must occupy the home as his/her primary residence.

Program Purpose and Requirements of the 2007B Public Service Personnel Program (the "PSP Program"):

The purpose of the program is to assist PSP with financing of owner occupied residences in East Baton Rouge Parish with a mortgage interest rate buydown of 50 basis points (.50%).

The program is offered to PSP who are:

- Sworn, full-time, post-certified Police Officers
- Sworn, full-time, post-certified East Baton Rouge Parish Sheriff’s Deputies
- Firefighters as defined by Revised Statute 33:1991
- Certified Emergency Medical Technicians employed by EMS
- Deputy City Constables in the City of Baton Rouge

PSP qualifications:

- PSP must be in good standing with his/her respective department and have at least two years of continuous active service. A certificate of eligibility signed by the Chief of Police, the Sheriff, the Fire Chief, City Constable, or the Director of EMS would be required.
- PSP must occupy the financed property as his/her primary residence
- PSP need not be a first-time homebuyer
- PSP must be able to qualify under the income limits of the Authority and under the debt and credit underwriting criteria of FHA, VA, RHS and/or Fannie Mae, Freddie Mac or Ginnie Mae

Amount of Authority Mortgage Funds Made Available for Mortgage Interest Rate Buydown:

- The Authority has set aside \$2.5 million for a period of six (6) months for its 2007B PSP Mortgage Interest Rate Buydown Program.

Interest Rate Buydown of 50 Basis Points Examples on Various Estimated Mortgage Amounts:

- The following chart reflects the Assisted Conventional Mortgage Loan rate for the “w/o buydown”. The “buydown rate” used is .50% less than the Assisted Conventional Mortgage Loan rate.

Various Mortgage Amounts	Interest Rate	Monthly Prin & Int Payment*	Amount of Monthly Savings
\$125,000 w/o buydown	6.375%	\$779.84	NA
\$125,000 mortgage with 50 basis pts buydown	5.875%	\$739.42	\$40.42
\$150,000 w/o buydown	6.375%	\$935.80	NA
\$150,000 mortgage with 50 basis pts buydown	5.875%	\$887.31	\$48.49
\$175,000 w/o buydown	6.375%	\$1,091.77	NA
\$175,000 mortgage with 50 basis pts buydown	5.875%	\$1,035.19	\$56.00
\$200,000 w/o buydown	6.375%	\$1,247.74	NA
\$200,000 mortgage with 50 basis pts buydown	5.875%	\$1,183.08	\$64.66

* Excludes escrow for insurance and taxes.

LOAN ORIGINATION INFORMATION- BY QUARTER

2007A PROGRAM

Quarter	Loans in Process or Closed As of the end of the Quarter (Original Loan Amount)		Change from the Prior Quarter		Total Down Payment & Closing Cost Assistance Provided or Pledged
	#	\$	#	\$	
First, 2007	72	\$9,577,683	72	\$9,577,683	\$383,107.32
Second, 2007	247	\$32,848,368	175	\$23,270,685	\$1,287,507.92
Third, 2007	298	\$39,903,970	51	\$7,055,602	\$1,581,076.00
Fourth, 2007					

Exhibit A shows a Parish-wide distribution of loans that have been approved for compliance and/or are closed in the 2007A program.

2007B PROGRAM (This program closed on December 28, 2007 and as yet no loans have been approved)

Non-PSP Loans

Quarter	Loans in Process or Closed As of the end of the Quarter (Original Loan Amount)		Change from the Prior Quarter		Total Down Payment & Closing Cost Assistance Provided or Pledged
	#	\$	#	\$	
Fourth, 2007					
First, 2008					
Second, 2008					
Third, 2008					

PSP Loans

Quarter	Loans in Process or Closed As of the end of the Quarter (Original Loan Amount)		Change from the Prior Quarter		Total Down Payment & Closing Cost Assistance Provided or Pledged
	#	\$	#	\$	
Fourth, 2007					
First, 2008					
Second, 2008					
Third, 2008					

CURRENT CONDITIONS

Current Statistics for all programs combined for the quarter ended December 31, 2007:

Number of Loans Outstanding: 2,547
Dollar Volume of Loans Outstanding \$182.794 million

Delinquencies:

30 days 4.12% (105 loans)
60 days 0.90% (23 loans)
90 days 0.63% (16 loans)
Foreclosure & Bankruptcy 0.12% (3 loans)
Real Estate Owned 0.08% (2 loans)

Mortgage Bankers Association National Delinquency Survey, Third Quarter, 2007

<u>Area</u>	<u>Number of Loans Serviced</u>	<u>30 Days</u>	<u>60 Days</u>	<u>90 Days</u>	<u>Foreclosure</u>
<u>All Loans</u>					
Louisiana	480,473	4.46%	1.31%	2.02%	1.84%
United States	45,417,215	3.41%	1.15%	1.26%	1.69%
<u>FHA Loans</u>					
Louisiana	53,260	8.09%	2.64%	4.29%	2.53%
United States	3,089,370	7.57%	2.63%	3.32%	2.22%

These national figures include all levels of income and loan amount. The Authority's loans are limited to low and moderate income first-time home buyers. The national "All Loans" numbers reflect a majority of conventional loans. The majority of the Authority's loans are FHA loans.

There are some Community Lending Products of FNMA and FREDDIE MAC that require the first-time home buyer training, but home buyer education is not a requirement for all of the Authority's loans. The Authority supports the home buyers' education programs and strongly recommends that first-time home buyers take advantage of the programs that are available.

Market Conditions:

As of December 31, 2007 area mortgage lenders were quoting mortgage loan rates of 6.25% for FHA / VA loans and 6.175% for conventional loans for their borrowers with the highest credit ratings.

GRANT REQUESTS

The Board of Trustees of the Authority has received the following requests for grant funds:

Baton Rouge Area Chamber

During 2005 the Board of Trustees of the Authority approved a request made by the Baton Rouge Area Chamber for a grant of \$1.5 million to be paid in increments of \$300,000 per year for 5 years to begin in 2006. The purpose of the grant is to help fund the Chamber's five-year economic development plan. The funds granted by the Authority will be dedicated for use on projects exclusive to East Baton Rouge Parish. The first two (2) installments have been paid.

Grant request proposals for the 2007 fiscal year were approved by the Authority at the December 21, 2006, Meeting of the Board of Trustees and are as follows:

Baton Rouge Area Foundation

The Board of Trustee of the Authority awarded a grant of \$100,000 to BRAF for the support and implementation of the *Old South Baton Rouge Neighborhood and Economic Revitalization Strategy*, a community revitalization plan that focus on affordable and work-

force

housing and reinvestment strategies. Proposed implementation objectives include dissemination design guidelines for public use; identifying properties to be acquired for mixed-use projects; creating a development model for acquired properties and soliciting developers; and establishing community-driven home and business improvement programs. The activities needed to accomplish these objectives will be carried out by the Plan Baton Rouge Program.

Baton Rouge Area Foundation

The Board of Trustees of the Authority awarded a grant of \$85,000 to BRAF: (1) to provide directional and managerial support to the development of design guidelines that will offer general direction for shaping future developments in Old South Baton Rouge, (2) to guide those strategies though the review and adoption processes and (3) to develop media and vehicles, such as a pattern book, to clearly and simply display the design guidelines for use by the community.

City of Baton Rouge

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The Board of Trustees of the Authority awarded a grant of \$90,000 to the City of Baton Rouge to develop a geospatial database of the current inventory of properties available for purchase. Adjudicated are properties on which taxes have not been paid, not sold to individuals and which are required by law to be placed in the name of the Parish. The following activities will be accomplished within the one year project period: (1) develop system, (2) review and verify property list, (3) enter 4,200 properties, (4) test system internally, (5) pass review by the Quality Assurance Committee and (6) publish system on the website. Individuals and developers will be able for adjudicated property by neighborhood and pull aerial photo and property details. The Board of Trustees of the Authority stipulated that this grant is contingent upon the inclusion of language in the authorizing Metro Council Resolution requiring that a portion of the proceeds from the sale of the adjudicated properties begin dedicated to the continuing update and maintenance of the geospatial database.

Mid-City Redevelopment Alliance

The Board of Trustees of the Authority awarded a grant of \$25,000 for continuation of the first-time homebuyers education seminars conducted by the Home Ownership Center with the Mid-City Redevelopment Alliance. In addition, the \$20,000 revolving line-of-credit which was established in 2006 continues to be available to allow MidCity to purchase lots on which new affordable homes would be built or to acquire property for rehabilitation to affordable housing.

On April 10, 13 & 15, 2007, The Board of Trustees of the Authority published in *The Advocate* a "Notice of Availability of Funds" for the 2008 fiscal year. The Notice invited interested parties to request the guidelines for submitting Concept Papers. Concept Papers are brief outlines of projects for which the interested parties may wish to request grants or make proposals for joint ventures with the Authority. Concept Papers are due no later than May 9, 2007. The Grants Review Committee of the Authority will review the Concept Papers and based upon available funds request full proposals from the submitters of the selected Concept Papers.

Forty-five (45) entities and individuals responded to the "Notice of Availability of Funds" published in *The Advocate*. Nine (9) entities and individuals submitted Concept Papers for the 2008 funding year. The Committee reviewed all nine (9) Concept Papers using the scoring sheet to determine which would be invited to make a "Full Proposal". The Concept Papers which received a score of 70 or higher and therefore chosen to submit "Full Proposals" were:

- Baton Rouge Green
- Baton Rouge Area Foundation
- Chatsworth Condominiums
- MidCity Redevelopment Alliance
- Old South Baton Rouge Partnership

On August 7, 2007, the Grant Review Committee approved the following grants to be funded in January, 2008:

Baton Rouge Area Chamber

A continuation of the \$300,000 per year for 5 years originally approved in 2005.

Baton Rouge Green

The Board of Trustees of the Authority awarded Baton Rouge Green \$25,000 per year for three years. Through its NeighborWoods program BRG hopes to begin "making Baton Rouge green, one neighborhood at a time." BRG trains neighborhood youth to be "Tree Troopers" for their neighborhood, taking ownership of the care of trees planted for the future. The goal of this project is to improve environmental and ecological health and the aesthetic appearance of twelve neighborhoods in EBR Parish between 2008 and 2010 (four each year), to build stewardship and a sense of responsibility among youth in EBR Parish and to raise awareness among the public at large about the benefits of healthy trees and green spaces and what they contribute to the quality of life.

Old South Baton Rouge
Neighborhood Partnership, Inc.

The Board of Trustees of the Authority awarded The Old South Baton Rouge Neighborhood Partnership \$125,000. The Old South Baton Rouge Neighborhood Partnership (OSBRNP) is the first implementation step following the planning process conducted by BRAF and CPEX. OSBRNP is organized as a Community Development Corporation and is responsible for overseeing implementation of the plans approved by the Metro Council. OSBRNP is seeking funds to hire a qualified Executive Director and establish a center of operation in the community. This one-year initiative will serve the OSBR community-at-large and provide capacity and leveraging capabilities for developing additional resources. Other goals include marketing the area to developers and businesses, facilitating home ownership and business development, promoting resident involvement by establishing neighbor focus groups and community volunteer programs.

Baton Rouge Area Foundation

The Board of Trustees of the Authority awarded Baton Rouge Area Foundation a grant of \$50,000. The goal of this project will be to clear the hurdles to private investment within the eight Project Development Areas, so that they will yield new home ownership opportunities in OSBR. The proposed program will address the critical shortage of affordable housing and assist in removing the legal hurdles to acquiring usable title to 1900 vacant properties and returning them to use and to the tax base. The third need is for an organization that will assemble

under utilized properties and return them to commerce as affordable and mixed-income housing. The funds would be used for the predevelopment expenses of the Urban Land LLC which include surveys, inspections, environmental assessments, appraisals, architectural and/or engineering studies, title/legal work and realtor fees.

Baton Rouge Area Foundation

The Board of Trustees of the Authority awarded Baton Rouge Area Foundation a revolving line-of-credit of \$100,000. The \$100,000 would be used for a revolving land acquisition fund which would be used to acquire 10 properties. Upon sale of the properties, these will funds be re-paid and revolve to purchase more lots. The goal of this project will be to clear the hurdles to private investment within the eight Project Development Areas, so that they will yield new home ownership opportunities in OSBR. The proposed program will address the critical shortage of affordable housing and assist in removing the legal hurdles to acquiring usable title to 1900 vacant properties and returning them to use and to the tax base.

Mid-City Redevelopment Alliance

The Board of Trustees of the Authority awarded Mid-City Redevelopment Alliance \$25,000 for continued financial support for the Home Ownership Center. The Center is the cornerstone of the Alliance's effort to create a stable community by increasing home ownership among the families living in the region and the entire Parish.

Mid-City Redevelopment Alliance

The Board of Trustees of the Authority awarded Mid-City Redevelopment Alliance a revolving line-of-credit of \$80,000. The goal is to construct 10 new homes in the Mid-City region. First the available land must be identified and acquired, then it is necessary to secure construction financing and a development partner to build the homes before the end of 2008. This revolving interest-free line of credit is to be used to acquire the lots and is to be paid back as the homes are sold. It supplements the \$20,000 revolving LOC awarded in 2007.

On December 18, 2007, The Grant Review Committee reviewed two (2) additional requests for grant funds, one from Gulf Coast Housing Partnership and one from the Cypress Group. The proposal from the Cypress Group was tabled for further review.

Gulf Coast Housing Partnership

The Board of Trustees of the Authority awarded the Gulf Coast Housing Partnership a total of \$150,000 to be paid \$50,000/per year for three (3) years. Gulf Coast Housing Partnership has projects all over the Gulf Coast. They have planned for Baton Rouge developing 2,500 units of housing in Baton Rouge by 2015. Redevelopment of

OSBR, development of O'Brien House a single room occupancy (SRO) project for individuals with addictive disorders and renovation of Scott Elementary School into 60 SRO for homeless and homeless mentally-ill adults.

CAPITAL & OPERATING ACCOUNT

(The Authority's Unrestricted Fund)

For the quarter ended December 31, 2007, the Authority realized approximately \$562,556.38 in investment income (on its unrestricted fund balance investment portfolio). (These numbers are unaudited)

The Authority contributed \$2,446,580 (of which \$1,600,000 was for Downpayment Assistance Grants to homebuyers using the 2007A and the new 2007B mortgage loan program) to its mortgage lending programs during the first quarter of 2007. This level of net revenues of the unrestricted fund (the sources of which are from investment income and issuer fees) permit the Authority to effectively produce its annual mortgage lending programs without significantly drawing upon the corpus (i.e. principal) of the unrestricted fund balance.

Significant reductions in the principal balance (corpus) of the unrestricted fund will seriously impact the Authority's ability to finance its mortgage lending programs.

Since 1989, the unrestricted fund balance has grown from its initial deposit of \$6.049 million to its current *market value* level (as of the December 31, 2006 audited financial statement) exceeding \$26.32 million.

The Authority's Program Administrator has administered, coordinated and managed all aspects of refundings, restructurings and asset releases which have in aggregate contributed \$15.838 million in unencumbered funds deposited to the Capital and Operating Fund balance.

Relying on the Program Administrator's recommendations and implementation, the Authority has financed its annual mortgage lending programs utilizing its operating revenues discussed above.

The Authority's Capital and Operating Account is audited annually, as are all of the Authority's bond issue programs, by an independent nationally recognized accounting firm.

In June 2007, the Authority's independent auditors, Deloitte & Touche, LLP, issued its 27th consecutive unqualified opinion that the Authority's financial statements presented fairly in all material respects the financial position of each of the individual Authority programs and the unrestricted fund balance of the Authority for the year ending December 31, 2006.

Deloitte & Touche, LLP further stated that they did not consider that any matters represented material weaknesses in the Authority's internal controls in regards to financial reporting. The Authority's finance reporting functions are implemented and performed by the Program Administrator.

East Baton Rouge Mortgage Finance Authority

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