

**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

**QUARTERLY REPORT
For the Quarter ended September 30, 2009**

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 \$1.305 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 September 30, 2009, the Authority had \$178.851 million in bonds outstanding and \$156.808 in mortgage loans and Mortgage Backed Securities 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 \$965.321 million in below conventional market rate mortgage loan funds to 15,127 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, the 2007B bond issue and the 2009A bond issue closing in mid-October, 2009. 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 5,726 loans made since 1995, 4,441 (77.57%) of those mostly first-time homebuyers received such down payment and closing cost assistance.

MORTGAGE LOAN PROGRAMS

2009A

Loan Product	Loan Type	Mortgage Rate	Origination Fee	Discount Points	Down Payment & Closing Cost Second Mortgage
First Time Homebuyers	FHA VA RHS	5.375%	1%	None	\$8,000 @ 6.00%
	Conventional	TBD	1%	None	
Non-First Time Homebuyers	FHA VA RHS	5.375%	1%	None	4% of Loan Amount
	Conventional	TBD	1%	None	
Un Assisted	FHA VA RHS	5.375%	1%	None	None
Un Assisted	Conventional	TBD	1%	None	None

**** First Time Homebuyers using the \$8,000 tax credit second mortgage must close on the loan prior to December 1, 2009**

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
Hancock Bank	248-7400		
Homebuyers Resource Group	769-4663		
Iberia Bank Mortgage	923-5560		

****Lenders may be added or deleted at the start of each program, please make sure the lender you choose is still a participating lender.**

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):

	Non-Targeted	Targeted
1 - 2 person family	\$59,800*	\$71,760*
3 + person family	\$68,770*	\$83,720*
- Maximum Purchase Prices of homes that may be financed:

	Non-Targeted	Targeted
New, never before occupied	\$287,434*	\$316,177*
Existing, Previously Occupied	\$287,434*	\$316,177*

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

*Income and Purchase Price amounts are subject to change.

LOAN ORIGINATION INFORMATION- BY QUARTER

Mortgage Loan applications for the 2009A program began in late September, 2009. As of September 30, 2009 no loans have closed.

CURRENT CONDITIONS

Current Statistics for all programs combined for the quarters ended September 30, 2004, 2006, 2008 & 2009:

Year	Total # of Loans	30 Day		60 Day		90 Day		Foreclosures & Bankruptcies		Real Estate Owned	
		# of Lns	% of Lns	# of Lns	% of Lns	# of Lns	% of Lns	# of Lns	% of Lns	# of Lns	% of Lns
2004	3090	187	6.05%	47	1.53%	24	0.78%	15	0.49%	3	0.09%
2006	2528	115	4.55%	31	1.23%	17	0.67%	8	0.32%	1	0.04%
2008	2459	132	5.37%	39	1.59%	22	0.89%	7	0.28%	2	0.08%
2009	2056	111	5.40%	43	2.09%	52	2.53%	22	1.07%	0	0.00%

Mortgage Bankers Association National Delinquency Survey, Second Quarter, 2009

<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	469,898	4.62%	1.79%	3.33%	2.70%
United States	44,721,256	3.57%	1.62%	3.67%	4.30%
<u>FHA Loans</u>					
Louisiana	67,195	7.52%	2.91%	4.81%	2.62%
United States	4,522,828	6.30%	2.61%	4.80%	2.98%

These national figures include all levels of income and loan amount. The Authority's loans are limited to low and moderate income mostly 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 September 30, 2009 area mortgage lenders were quoting mortgage loan rates of 5.25% for FHA/VA loans and 5.00% for conventional loans for their borrowers with the highest credit ratings.

GRANTS

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
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 (OSBRP) is the first implementation step following the planning process conducted by BRAF and CPEX. OSBRP is organized as a Community Development Corporation and is responsible for overseeing implementation of the plans approved by the Metro Council. OSBRP 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. This grant has been completed.

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 underutilized 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 funds will 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. At the May 22, 2008 Meeting, the Board of Trustees voted to convert the line-of-credit to a grant.

In 2009, the Authority approved a grant in the amount of \$25,000 for the Façade' Improvement program in Old South Baton Rouge and \$35,000 for the Old South Baton Rouge Homeowner Rehabilitation Program.

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.

EBR Redevelopment Authority

At the July 10, 2008 Meeting, the Board of Trustees voted to grant \$3 million, in \$1 million increments, to the East Baton Rouge Redevelopment Authority. The grant is contingent upon the Redevelopment Authority completing its strategic plan. Due to this significant commitment of grant funds to the Redevelopment

Authority, the Board of Trustees of the East Baton Rouge Mortgage Finance Authority decided not to advertise for grant fund requests for the 2009 fiscal year. The EBRRDA makes quarterly progress reports to the Authority. As of September 30, 2009, two (2) installments of \$400,000 each have been funded.

CAPITAL & OPERATING ACCOUNT

(The Authority's Unrestricted Fund)

For the quarter ended September 30, 2009, the Authority realized approximately \$784,736 in investment income, issuer fees and other receipts (on its unrestricted fund balance investment portfolio). (These numbers are unaudited). A residual amount of \$1,921,418.34 was released in July, 2009, from two (2) bond issues for which the bonds have been paid off (\$1,652,562.69 from the 1992C issue and \$268,855.65 from the 1987 issue).

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, 2008 audited financial statement) exceeding \$25.954 million. The audited financial statement for the year ended December 31, 2008 was completed in late June, 2009.

The Authority's Program Administrator has administered, coordinated and managed all aspects of refundings, restructurings and asset releases which have in aggregate contributed \$17.75 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 2009, the Authority's independent auditors, Deloitte & Touche, LLP, issued its 29th 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, 2008.

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
Board of Trustees***

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