

**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

**QUARTERLY REPORT
For the Quarter ended March 31, 2015**

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, although a change to the Authority’s Trust Indenture was recently approved allowing an expansion of its geographic footprint to the nine (9) parish Capital Region, makes it possible for the Authority to participate in, and provide funding for, any and all projects allowed by the Public Trust Act and approves a name change to the Capital Area Finance Authority.
- 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. As of March 31, 2015, the Authority had \$72.184 million in bonds outstanding and \$74.709 million in mortgage loans and Mortgage Backed Securities outstanding.
- The Authority is self-supporting and has never received any appropriation of funds from any local, state or federal governmental agency.
- The Authority’s activities to-date have consisted exclusively of providing below conventional market rate mortgage loan financing (taking into account the lack of discount points and the closing cost/down payment 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 legislation passed as a result of Hurricane Katrina, the first-time homebuyer requirement was temporarily removed and the income and purchase price limits were increased. From September 30, 2010 through September, 2014, the Authority returned to pre-Katrina eligibility requirements.
- The Authority has made a major contribution to home ownership and economic development in East Baton Rouge Parish by providing approximately \$1.043 ***Billion*** in below conventional market rate mortgage loan funds to 15,761 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 had 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 was responsible for the development of each new bond issue and associated mortgage lending program. Once a bond issue was closed, FCSI supervised the origination process of the mortgage loans, underwrote

(reviews and approves) the new mortgage loans for compliance with federal tax law and approved the mortgage loans for purchase, maintained computerized records on all mortgage loans and supervised the servicing and trustee functions for each mortgage lending program. That contract ended 12-31-2014.

- Under each of its single family mortgage lending programs, the Authority utilizes Baton Rouge area financial institutions to originate the mortgage loans.
- 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, the 2009A bond issue and the 2009 GSE issue closed at the end of December, 2009. The 2009 GSE issue bonds were placed in escrow when they were issued but the proceeds were used to acquire Mortgage Backed Securities in July, 2014. 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. In order to help potential homeowners take advantage of the federal tax credits, the Authority instituted a second mortgage loan program in the 2009A lending program. After the tax credit availability expired, the Authority began to offer 0.0% interest rate soft second mortgages (second mortgages that have no interest and no payments and are forgiven over a 5 year period) in the amount of 4% of the loan amount. This program continued for the 2009GSE program. Of the 6,360 loans made since 1995, 5,076 (79.8%) of those mostly first-time homebuyers received such down payment and closing cost assistance.
- In June, 2014, the Authority hired Mike Airhart as Executive Director for the Authority. Mr. Airhart is the Authority's first direct employee. Financial Consulting Services, Inc. (FCSI), served as Program Administrator until December 31, 2014 and now serves in an advisory capacity until December 31, 2016. Two (2) of FCSI's former employees became direct employees of the Authority on January 1, 2015.
- In September, 2014 the Authority implemented a new mortgage lending program called the Capital Advantage Program ("CAP"). There are no Mortgage Revenue Bonds associated with the CAP. The CAP allows the borrower to choose the amount of assistance grant they need for down payment and/or closing costs, 3%, 4% or 5%. Each level of assistance grant has a different mortgage loan interest rate. The program should provide an uninterrupted availability of mortgage loans funds to low and moderate income homebuyers. Homebuyers do not have to be first-time homebuyers. The program allows FHA/VA/RD Mortgage Loans and Conventional Mortgage Loans to buyers with credit scores of 640 and above and with a debt to income ratio of 45% or less. Rates for the CAP are subject to change daily. The rates as of March 31, 2015 were:

3% down payment / closing cost assistance – 4.375%

4% down payment / closing cost assistance – 4.500%

5% down payment / closing cost assistance – 4.875%

Help your Buyers become Homeowners! Down Payment & Closing Cost Assistance



- Down payment & closing cost assistance (DPA) up to 5% of loan amount
- DPA is a non-repayable grant
- FHA, VA, & USDA-Rural Development Loans with max loan guidelines
- No first-time homebuyer requirement
- Max 45% DTI ratio
- 640 minimum FICO score
- Max income is 115% of AMI currently \$76,360 in EBR Parish

FUNDS ARE AVAILABLE NOW! UNLIKE A BOND FUNDED PROGRAM, THESE FUNDS WILL BE CONTINUOUSLY AVAILABLE.

FOR MORE INFORMATION AND FOR PARTICIPATING LENDERS PLEASE GO TO WWW.EBRMFA.ORG



601 St. Ferdinand Street Baton Rouge, LA 70802 Phone: 225-771-8567

LOAN ORIGINATION INFORMATION- BY QUARTER

CAP PROGRAM

Quarter	Mortgage Backed Securities As of the end of the Quarter		Change from the Prior Quarter		Total Down Payment & Closing Cost Assistance Provided or Pledged
	#	\$	#		
Third, 2014	0				
Fourth, 2014	0*				
First, 2015	16	\$2,070,820	16	\$2,070,820	\$92,884.79
Second, 2015					
Third, 2015					
Fourth, 2015					

The CAP program began in mid-September after the all the lenders had received training. At September 30, 2014 no loans had as yet been registered in the system. However, due to the very short timeline from locking in the interest rate to closing the loan, most lenders will wait until the loan is approved in underwriting to register the loan in the CAP.

*There were loans in the pipeline as of 12-31-2014. This report will track loans as they are securitized into Mortgage Backed Securities.

CURRENT CONDITIONS

Current Statistics for all programs combined for the quarters ended March 31, 2010, 2012, 2014 & 2015:

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
2010	1928	80	4.15%	28	1.45%	49	2.54%	24	1.40%	1	0.04%
2012	1514	64	4.23%	16	1.06%	15	1.99%	3	0.20%	1	0.06%
2014	1156	36	3.11%	7	0.61%	3	0.26%	1	0.09%	0	0.00%
2015	1036	24	2.32%	11	1.06%	7	0.68%	0	0.00%	0	0.00%

Mortgage Bankers Association National Delinquency Survey, Fourth Quarter, 2014

<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	491,613	4.08%	1.49%	2.80%	1.98%
United States	40,921,831	2.73%	1.02%	2.25%	2.27%
<u>FHA Loans</u>					
Louisiana	109,149	6.47%	2.41%	4.10%	2.96%
United States	6,899,328	4.91%	1.86%	3.51%	2.52%

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 and home buyer education is a requirement for all of the Authority's loans made to first-time homebuyers. The Authority supports the home buyers' education programs and strongly recommends that all home buyers take advantage of the programs that are available.

Market Conditions:

As of March, 2015 area mortgage lenders were quoting mortgage loan rates of 3.75% for their borrowers with the highest credit ratings.

CURRENT GRANTS

Baton Rouge Area Chamber

These grant funds will support BRAC's "*The Campaign for a Greater Baton Rouge*" which is a five (5) year capital campaign to support professional economic development activities serving the nine (9) parish area. Over the next five (5) years, BRAC seeks to build Baton Rouge's economic activities to a level that can compete in new areas of business and product development while continuing the successful practices established in the previous five (5) years. Some of the key areas that BRAC plans to focus on are: recruitment and retention of talent, international development, education leadership reform and ethics and workforce reform.

East Baton Rouge Redevelopment Authority

The EBR RDA requested a funding commitment in the amount of \$4.5 million to be available to be drawn down over a five (5) year period on an as needed basis. These funds will be used to supplement three (3) of its existing programs including supporting the strategic use of resources to eliminate blight and revitalize communities, public outreach and recovering sustainability from Hurricanes' Gustav and Ike. There would be no change in the way the funds are currently drawn down and all drawdowns will be requested and approved by the EBRMFA as is the current procedure. The EBR RDA is focusing on Land Banking, Gap Financing and Small Business Façade Improvement. As of December, 2014, \$4,076,465 has been funded for such purposes.

Capital Area Transit System ("CATS")

In October, 2011 the Authority granted/loaned \$500,000 to CATS as a stop gap measure to keep them operational through the end of the year. Since the passage of the CATS tax, the Authority requested a schedule of repayment. As of March 31, 2015, \$200,000 plus interest has been re-paid.

Due to the significant dollar volume of the approved grants the Authority is not currently soliciting for new grant proposals. The Authority does remain open to review requests should any be submitted, however the Authority will delay taking any action on those requests until a new strategy can be developed and implemented with regard to the grant process.

CAPITAL & OPERATING ACCOUNT

(The Authority's Unrestricted Fund)

For the quarter ended March 31, 2015, the Authority realized approximately \$327,420.65 in investment income, issuer fees and other receipts (on its unrestricted fund balance investment portfolio (These numbers are unaudited).

This level of net revenues of the unrestricted fund (the sources of which are mostly from investment income and issuer fees) permit the Authority to effectively produce its 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, 2013 audited financial statement) exceeding \$24.641 million.

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.

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 2014, the Authority's independent auditors, Hannis T. Bourgeois, issued an unqualified opinion (The Authority's 34th consecutive unqualified opinion) that the 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, 2013. The audit for the fiscal year ended December 31, 2014 is underway and expected to be completed prior to June 30, 2015.

Hannis T. Bourgeois 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***

601 St. Ferdinand Street
Baton Rouge, LA. 70802
225-771-8567 (Phone) 225-771-8573 (Fax)

www.ebrmfa.org

Cheri Ausberry, Chairperson

Dennis Blunt, Vice Chairperson

Valerie Schexnayder, Secretary/Treasurer

Astrid Clements

Norman Chenevert

Helena Cunningham

Robert W. Gaston, III

Blaine Grimes

Jake L. Netterville

Ex-Officio Members:

Parish Attorney

Director of Finance

Executive Director:

Mike Airhart
225-771-8567
225-771-8573 (Fax)
mike@ebrmfa.org

Executive Vice President:

Vickie Theriot
225-771-86567
vickie@ebrmfa.org