

Analysis of 2007 SF MBS Sale & Bond Redemption from RBC Capital Markets

As of October 1, 2016, the Hillsborough HFA 2007-1 and 2007-2 bond issue is eligible for Optional Redemption and at a redemption price of 102.5% on the 2007-1 bonds and at par on the 2007-2 bonds. There are currently \$2.825mm bonds outstanding.

Bonds Outstanding as of:			Balance 12/01/2016
BONDS	Redemption Premium	Rate	(estimated)
43232GAX2 10/01/2049	102.50%	5.375%	2,400,000.00
43232GAY0 10/01/2027	100.00%	4.40%	425,000.00
TOTAL			\$2,825,000.00

The 2007 bond issue was issued to originate new mortgages: 30 year amortizing low rate loans with a mortgage rate of 5.89%, 30 year amortizing assisted rate loans with a mortgage rate of 6.45% and 40 year amortizing loans with DPA with a mortgage rate of 6.55%. The bonds also refunded the 1997 and 1998 bond issues and the underlying mortgages from the prior bonds were transferred to the new bond issue. The mortgage rates of the transferred MBS range between 5.85% - 6.87%.

At the time of the bond issue, there were transferred MBS in excess of refunding bonds (a total of three MBS). Two of the Excess MBS pools were deposited into the Reserve Fund and were held for any shortfalls in debt service. The Trustee retained the principal and interest payments from those pools in the reserve fund for the life of the bond issue. The pools are paid off and currently there is \$84k in the reserve fund in cash. We structured the bond issue in this manner so that the HFA wouldn't have to put up cash for the reserve fund in 2007.

The third excess MBS pool was released from the lien of the indenture and the HFA opted to deposit the MBS into the Administration Account which is a non-pledged account. This pool is also paid off and there is currently \$104k in the admin account which is the collective principal and interest paid on this pool since 2007.

The Do-Nothing Scenario shows the release of cash in those two accounts as well as the NPV of the residual and issuer fee cashflows discounted at 3% over a range of prepayment speeds. Please note that the bond issue lost its GIC in 2010. If you recall, the HFA purchased treasury securities to maintain the ratings for cashflow shortfalls on the 2006 bond issue. This bond issue was structured as a quasi-pass through in that there were semi-annual payments of debt service (interest and sinking funds) but the bonds are callable monthly from prepayments. The monthly calls (and the deposit of the MBS in the reserve fund) shielded the HFA from having to deposit any more resources into the bond issue in order to maintain the rating once the GIC was removed.

	0% PSA	50% PSA	100% PSA	150% PSA	200% PSA	250% PSA
Cash Released	\$ 188,433.79	\$ 188,433.79	\$ 188,433.79	\$ 188,433.79	\$ 188,433.79	\$ 188,433.79
Residual	290,079.19	288,698.64	284,639.84	278,759.09	272,869.91	266,888.39
Issuer Fee	40,349.38	33,644.02	28,537.79	24,573.61	21,439.29	18,918.39
Total	\$ 518,862.37	\$ 510,776.45	\$ 501,611.41	\$ 491,766.49	\$ 482,742.99	\$ 474,240.57

Analysis of 2007 SF MBS Sale & Bond Redemption from RBC Capital Markets

	0% PSA	50% PSA	100% PSA	150% PSA	200% PSA	250% PSA
Cash Released	\$ 188,433.79	\$ 188,433.79	\$ 188,433.79	\$ 188,433.79	\$ 188,433.79	\$ 188,433.79
Residual	290,079.19	288,698.64	284,639.84	278,759.09	272,869.91	266,888.39
Issuer Fee	40,349.38	33,644.02	28,537.79	24,573.61	21,439.29	18,918.39
Total	\$ 518,862.37	\$ 510,776.45	\$ 501,611.41	\$ 491,766.49	\$ 482,742.99	\$ 474,240.57

I am attaching an MBS Sale analysis. Based on a December 2, 2016 Board Meeting, I assumed that following approval by the board, Bond Counsel can instruct the Trustee to mail a conditional call notice to redeem all of the outstanding bonds on January 1, 2017. We can conduct the sale on December 15 (better to conduct the sale before Christmas and New Year's weeks) and target a December 29 settlement of MBS and January 1, 2017 redemption.

The MBS sale is attached. Assuming a 10% premium on the sale, the HFA will net approximately \$660,000. As an alternative, the HFA can sell just enough MBS to generate sufficient cash to call the bonds in full and take the surplus funds in the form of MBS. Based on the MBS I selected for sale, the HFA will receive approximately \$17,100 cash and \$580,335 in MBS. The proposed MBS for retention are below. (The numbers will change slightly with actual MBS payments in December and actual bond calls.)

Historical Prepayment Speeds	
Since Issuance	198
Last 12 Months	210
Last 6 Months	164
Last 3 Months	134

The breakeven sale price on the MBS is 104.57% (based on the assumption that do nothing was worth on average \$500,000 for a range of prepayment speeds).

I have contacted Misty via email regarding the MBS sale so that she can start preparing the appropriate documents for the board meeting. I will follow up with her to make sure she has everything she need.

MBS Coupon	Keep
5.900%	\$ 84,160.76
5.350%	-
5.390%	-
5.950%	307,252.21
6.050%	188,922.10
TOTAL	\$ 580,335.07

Debbie Berner

Director, RBC Capital Markets
100 2nd Ave South, Suite 800
St. Petersburg, FL 33701
T: (727) 895-8885
debbie.berner@rbccm.com