

MEMBER CITIES

Alhambra
Apple Valley
Azusa
Baldwin Park
Barstow
Bell
Bellflower
Brea
Capitola
Carpinteria
Carson
Chino
Claremont
Colton
Commerce
Compton
Covina
Downey
Duarte
El Monte
Fairfield
Fontana
Fresno
Gardena
Garden Grove
Glendale
Glendora
Hawaiian Gardens
Hawthorne
Hermosa Beach
Huntington Park
Indio
Inglewood
La Habra
La Puente
Lakewood
Lancaster
Lawndale
Long Beach
Los Angeles
Lynwood
Monrovia
Montclair
Montebello
Monterey Park
Morgan Hill
Norwalk
Oceanside
Palmdale
Palm Springs
Paramount
Pico Rivera
Planada Community Services District
Pomona
Rancho Cucamonga
Rialto
Riverside
Rohnert Park
Salinas
San Bernardino
San Bernardino County
San Diego County
San Fernando
San Juan Capistrano
San Marcos
San Mateo County
Santa Clarita
Santa Rosa
Signal Hill
South Gate
Vernon
Vista
West Covina
Whittier
Yucaipa

BOARD MEMBERS

OFFICERS

Mike McCormick, President

Vernon

Mario Gomez, Vice President

Huntington Park

Stephen Ajobiewe, Treasurer

Compton

DIRECTORS

Ricardo Pacheco, Baldwin Park

Willie Jones, Compton

Edwin Hernandez, Lynwood

Sylvia Ballin, San Fernando

Gil Hurtado, South Gate

Secretary/Executive Director

Debbie Smith

General Legal Counsel

Scott Campbell

Best Best & Krieger, LLP



INDEPENDENT CITIES FINANCE AUTHORITY
Annual Meeting Of The Board Of Directors
Annual Meeting Of The Executive Committee

Wednesday, June 25, 2014
12:00 p.m.

City of South Gate
Civic Center Main Hall
8680 California Avenue
(adjacent to City Hall)
South Gate, CA 90280

TELECONFERENCE MEETING LOCATION:

1. Viejas Casino & Resort
500 Willows Road
Alpine, CA 91901

MEETING AGENDA

STAFF REPORTS AND OTHER WRITTEN DOCUMENTS RELATED TO ITEMS ON THIS AGENDA CAN BE OBTAINED FROM THE INDEPENDENT CITIES FINANCE AUTHORITY BY CALLING (877) 906-0941.

FOR YOUR INFORMATION: The Authority Board/Executive Committee will hear from the public on any item on the agenda or an item of interest to the Board/Executive Committee that is not on the Agenda. These items may be referred for administrative action or scheduled on a future Agenda. Comments are to be limited to three minutes for each speaker, unless extended by the Authority Board. Each speaker will have an opportunity to speak on any Agenda item. You have the opportunity to address the Authority Board at the following times.

- A. **AGENDA ITEM:** at the time the Authority Board considers the Agenda item or during Public Comment, and
- B. **NON-AGENDA ITEMS:** during Public Comment - comments will be received for a maximum 30-minute period; any additional requests will be heard following the completion of the Agenda.
- C. **PUBLIC HEARINGS:** at the time of the Public Hearing

I. CALL TO ORDER. *(Page 4)*

II. ROLL CALL. *(Page 4)*

City of Baldwin Park	City of San Fernando
City of Compton	City of South Gate
City of Huntington Park	City of Vernon
City of Lynwood	

III. AMENDMENTS OR ADJUSTMENTS TO THE AGENDA. *(Page 4)*

IV. PUBLIC COMMENT. At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the Authority. Reasonable time limits are imposed on each topic and each speaker. In accordance with the provisions of the Ralph M. Brown Act (GC § 54950 et seq.), no action or discussion may take place by the Board on any item not on the posted agenda. The Board may respond to statements made or questions asked, and may direct staff to report back on the topic at a future meeting. *(Page 5)*

V. NEW BUSINESS.

A. Approval Of Minutes Of The April 16, 2014 Board of Directors Meeting. *(Pages 5 & 15-20)*
RECOMMEND APPROVAL

B. Discussion And Approval Of An ICFA Market Rate Lease Purchase Homeownership Initiative Program. *(Pages 6-7 & 21-39)*
RECOMMEND APPROVAL

C. Approval/Adoption Of Resolution No. 2014-2 (A Resolution Of The Board of Directors/Executive Committee Of The Independent Cities Finance Authority Authorizing The Submittal Of An Application To The California State Department of Housing and Community Development For Funding Under The CalHome Program; The Execution Of A Standard Agreement If Selected For Such Funding And Any Amendments Thereto; And Any Related Documents Necessary To Participate In The CalHome Program. *(Pages 7-8 & 40-62)*
RECOMMEND APPROVAL/ADOPTION

D. Approval Of A Government Consulting Proposal Between ICFA And Ken Spiker And Associates, Inc. To Secure The County Of Los Angeles As An Associate Member Of ICFA. *(Pages 8-9 & 63-64)*
RECOMMEND APPROVAL

E. Discussion Of Rules Governing Compensation For ICFA Board Members. *(Page 9)*
RECOMMEND PROVIDE DIRECTION

F. Approval/Adoption Of A Budget For The 2014-15 FY *(Pages 10 & 65-66)*
RECOMMEND APPROVAL/ADOPTION

- G. Report On The Status Of AB 2046 (Gomez) – Joint Exercise Of Powers: Financing (*Pages 10 & 67-74*)
RECOMMEND RECEIVE AND FILE
- H. Approval Of Financial Accounting For The Period April 1, 2014 to June 1, 2014 (*Pages 11-12*)
RECOMMEND APPROVAL
- I. Update On Pending Projects/Activities. (*Page 12*)
INFORMATION ONLY

VI. COMMENTS FROM BOARD MEMBERS. (*Page 13*)

VII. MATTERS FROM STAFF. (*Page 13*)

VIII. ADJOURNMENT. (*Page 13*)

The public shall have an opportunity to comment on any item as each item is considered by the Board/Executive Committee and prior to action being taken. Agenda Reports are available at the Independent Cities Finance Authority office upon request by calling (877) 906-0941.

NOTICE: New items will not be considered after 2:00 p.m. unless the Board of Directors/ Executive Committee votes to extend the time limit. Any items on the agenda that are not completed will be forward to the next regular Board of Directors/Executive Committee meeting.

IN COMPLIANCE WITH THE AMERICAN DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE INDEPENDENT CITIES FINANCE AUTHORITY AT (877) 906-0941. NOTIFICATION 48 HOURS PRIOR TO THE MEETING WILL ENABLE THE INDEPENDENT CITIES FINANCE AUTHORITY TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING.

NOTE TO CITY CLERKS:

Please post this Meeting Notice in three separate locations, just as you would a City Council agenda.

INDEPENDENT CITIES FINANCE AUTHORITY

**ANNUAL MEETING OF THE BOARD OF DIRECTORS
ANNUAL MEETING OF THE EXECUTIVE COMMITTEE**

June 25, 2014 - 12:00 p.m.

AGENDA SUMMARY

I. CALL TO ORDER.

II. ROLL CALL.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

A roll call of the following member cities will be conducted:

City of Baldwin Park	City of San Fernando
City of Compton	City of South Gate
City of Huntington Park	City of Vernon
City of Lynwood	

C. RECOMMENDATION:

None.

III. AMENDMENTS OR ADJUSTMENTS TO THE AGENDA.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

None.

C. RECOMMENDATION:

None.

AGENDA SUMMARY

June 25, 2014

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IV. PUBLIC COMMENT.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the Agency. Reasonable time limits are imposed on each topic and each speaker. In accordance with the provisions of the Ralph M. Brown Act (GC §54950 et seq.), no action or discussion may take place by the Board on any item not on the posted agenda. The Board may respond to statements made or questions asked, and may direct staff to report back on the topic at a future meeting.

C. RECOMMENDATION:

None.

V. NEW BUSINESS.

A. APPROVAL OF MINUTES OF THE APRIL 16, 2014 BOARD OF DIRECTORS MEETING.

A. MATERIAL ENCLOSED: **(PAGES 15-20)**

Minutes of the April 16, 2014 Board of Directors meeting.

B. COMMENTS:

None.

C. RECOMMENDATION:

Approve the minutes of the April 16, 2014 Board of Directors meeting.

B. DISCUSSION AND APPROVAL OF AN ICFA MARKET RATE LEASE PURCHASE HOMEOWNERSHIP INITIATIVE PROGRAM.

A. MATERIAL ENCLOSED: (PAGES 21-39)

1. Market Rate Lease Purchase Homeownership Initiative Summary **(Pages 21-23)**
2. Market Rate Lease Purchase Homeownership Initiative Proposal **(Pages 24-34)**
3. Projected Lease Purchase Revenues **(Page 35)**
4. Sources and Uses **(Page 36)**
5. Financing Schedule **(Pages 37-39)**

B. COMMENTS:

Proposal:

To create and offer a daily-priced, market-rate, lease purchase homeownership initiative for implementation in ICFA member cities to provide prospective homeowners improved accessibility to mortgage financing.

Summary:

The ICFA Lease Purchase program, in partnership with FHA or Fannie Mae, helps individuals and families overcome two of the major barriers to home ownership. These barriers are lack of cash and lack of good credit which prevent homeownership. The Lease Purchase program will help individuals and families overcome both of these barriers.

Put simply, the Lease Purchase Program allows a homebuyer to select and live in the home of their dreams, lock in the purchase price and the monthly payment. If a homebuyer has satisfactory credit, then the purpose of program is to provide the down payment and closing costs. However, if credit is also a problem, the program not only provides the down payment and pays the closing costs, but also assists the home purchaser to establish or even re-establish their credit reputation. At the end of the lease the homebuyer will assume the existing mortgage.

AGENDA SUMMARY

June 25, 2014

Page 4

During the lease period the home is owned by ICFA or a related non-profit that will help the Lease Purchase candidate get ready to assume the ownership of their house which transfers title to Lease Purchase candidate at the end of the lease. The Lease Purchase candidate can select any home that meets their needs and that they can afford located within one of the participating ICFA cities.

Guy Burgoon of Emerging Markets Group, LLC will provide a detailed presentation and answer any questions.

C. RECOMMENDATION:

1. Approve an ICFA Market Rate Lease Purchase Homeownership Initiative program.
2. Authorize Emerging Markets Group, LLC to secure FHA and/or FannieMae partnership, plus develop the balance of the program participants for a fee of \$5,000 a month for a six month period for said program development. If a FHA or FannieMae partnership is not secured, this initiative will not move forward.

C. APPROVAL/ADOPTION OF RESOLUTION NO. 2014-2 (A RESOLUTION OF THE BOARD OF DIRECTORS/EXECUTIVE COMMITTEE OF THE INDEPENDENT CITIES FINANCE AUTHORITY AUTHORIZING THE SUBMITTAL OF AN APPLICATION TO THE CALIFORNIA STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR FUNDING UNDER THE CALHOME PROGRAM; THE EXECUTION OF A STANDARD AGREEMENT IF SELECTED FOR SUCH FUNDING AND ANY AMENDMENTS THERETO; AND ANY RELATED DOCUMENTS NECESSARY TO PARTICIPATE IN THE CALHOME PROGRAM.)

A. MATERIAL ENCLOSED: (PAGES 40-62)

1. Resolution 2014-2 (Pages 40-42)
2. Draft CalHome Application for General Program Funding NOFA (Pages 43-62)

AGENDA SUMMARY

June 25, 2014

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B. COMMENTS:

The California Department of Housing and Community Development (HCD) is accepting applications for funds from the CalHome General Program for \$43 million from Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006, to fund local public agencies or nonprofit corporations for mortgage assistance for low-or very low-income first-time homebuyers.

CalHome grants will be awarded to eligible organizations, like ICFA, to "...increase home ownership, encourage neighborhood revitalization and sustainable development, and maximize use of existing homes."

Matt Callahan from Southern California Partners in Home Ownership will provide a detailed presentation on the program and answer any questions.

C. RECOMMENDATION:

1. Approve/adopt Resolution 2014-2 authorizing the submittal of an application to HCD for funding under the CalHome program;
2. Authorize President McCormick and staff to execute all necessary documents.
3. Authorize staff and General Legal Counsel to take steps necessary to develop an agreement between ICFA and Southern California Partners in Home Ownership relative to the CalHome program.

D. APPROVAL OF A GOVERNMENT CONSULTING PROPOSAL BETWEEN ICFA AND KEN SPIKER AND ASSOCIATES, INC. TO SECURE THE COUNTY OF LOS ANGELES AS AN ASSOCIATE MEMBER OF ICFA.

A. MATERIAL ENCLOSED: **(PAGES 63-64)**

Government Consulting Proposal.

AGENDA SUMMARY

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B. COMMENTS:

Staff would like to engage the services of Ken Spiker And Associates, Inc. to secure the County of Los Angeles as an associate member of ICFA. ICFA has lost several financings, primarily relating to charter schools located in the boundaries of the County of Los Angeles, as the County is not a member of ICFA.

Staff believes that having the County of Los Angeles as an associate member would be beneficial and would result in numerous projects financed by ICFA.

Because of the KSA's relationship with several County supervisors, it is felt that the firm would be successful in securing the County of Los Angeles as an associate member of ICFA. KSA is proposing a fee of \$3,000 for a six month period for said services.

C. RECOMMENDATION:

Approve the Government Consulting Proposal between ICFA and Ken Spiker And Associates, Inc. which would authorize KSA to secure the County of Los Angeles as an associate member of ICFA.

E. DISCUSSION OF RULES GOVERNING COMPENSATION FOR ICFA BOARD MEMBERS.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

General Legal Counsel will provide a detailed report on rules governing compensation for ICFA Board Members for discussion and development.

C. RECOMMENDATION:

Provide direction to General Legal Counsel to prepare necessary documentation regarding compensation for ICFA Board Members.

F. APPROVAL/ADOPTION OF A BUDGET FOR THE 2014-15 FISCAL YEAR.

A. MATERIAL ENCLOSED: (PAGES 65-66)

Budget for the 2014-15 FY.

B. COMMENTS:

Staff has prepared a budget that covers one fiscal year period (2014-15). The proposed budget represents the best estimates of staff regarding future financings.

C. RECOMMENDATION:

Approve/adopt the 2014-15 FY budget; and

G. REPORT ON THE STATUS OF AB 2046 (GOMEZ) - JOINT EXERCISE OF POWERS: FINANCING.

A. MATERIAL ENCLOSED: (PAGES 67-74)

AB 2046 (Gomez).

B. COMMENTS:

AB 2046 would allow California Joint Powers Authorities to issue bonds and enter into loan agreements or refinance private projects located outside of the State of California. The bill passed out of the Assembly Floor with a 60-17 vote and will be heard in the Senate Local Government Committee on a date to be determined in July.

A verbal report will be provided at the meeting.

C. RECOMMENDATION:

Continue to co-sponsor AB 2046, including all tasks associated therewith.

H. APPROVAL OF FINANCIAL ACCOUNTING FOR THE PERIOD APRIL 1, 2014 TO JUNE 1, 2014.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

Receipts for the period April 1, 2014 to June 1, 2014 were as follows:

Millbrook monthly fees (\$116.67 x 2)	\$	233.34
Castle monthly fees (\$803 x 2)		1,606.00
Yucaipa monthly fees (\$805 x 2)		1,610.00
Palm Springs monthly fees (\$1,244 x 2)		2,488.00
Santa Rosa monthly fees (\$1,308.00 x 2)		2,616.00
Hacienda Valley monthly fees (\$1,377 x 2)		2,754.00
Rancho Vallecitos monthly fees (\$1764.58 x 2)		3,529.16
Westlake monthly fees (\$1,823 x 2)		3,646.00
Rohnert Park monthly fees (\$2,182.08 x 2)		4,364.16
Lamplighter monthly fees (\$2,750 x 2)		5,500.00
Pillar Ridge monthly fees (\$3,294 x 2)		6,588.00
San Juan monthly fees (\$3,932 x 2)		7,864.00
Augusta fees (quarterly fee)		8,038.14
Pillar Ridge issuer's fee		45,570.00
Registration Fees (Educational Conference)		429.97
LA Partners In Homeownership Funds		14,000.00
TOTAL RECEIPTS		\$110,836.77

Expenditures for the period April 1, 2014 to June 1, 2014 were as follows:

W. Michael McCormick (stipend for April Board Mtg.)	\$	150.00
Sylvia Ballin (stipend for April Board Mtg.)		150.00
Mario Gomez (stipend for April Board mtg.)		150.00
Gil Hurtado (stipend for April Board Mtg.)		150.00
Ricardo Pacheco (stipend for April Board mtg.)		150.00
W. Michael McCormick (reimbursement)		303.00
U.S. Advocacy (advocacy services)		7,500.00
Tripepi Smith & Associates (public relations)		6,875.85
Smith, Alvarez & Castillo (staff services)		18,750.00
California Contract Cities ASSOC. (registration)		625.00

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Trackdown Management Services (sponsorship)	1,000.00
Logo Expressions (promo materials)	2,423.61
South Gate Junior Athletic Association (charitable contribution)	7,500.00
Best Best & Krieger (legal services)	7,807.25
Tripepi Smith & Associates (public relations)	2,713.75
U.S. Advocacy (advocacy services)	7,500.00
Smith, Alvarez & Castillo (staff services)	18,750.00
Mario Gomez (reimbursement)	561.94
Matthew Callahan (reimbursement)	2,195.00
St. John the Baptist School (charitable contrib.)	1,500.00
St. John the Baptist Church (charitable contrib..)	1,000.00
Wolf & Company (Financial Advisor fees ½)	<u>7,500.00</u>
 TOTAL EXPENDITURES	 \$95,255.40

ICFA account balances as of June 1, 2014 are as follows:

Bank of America	\$ 55,539.45
LAIF	\$242,567.99

It should also be noted that ICFA has two outstanding loans: One to Millennium Housing in the amount of \$250,000 and another to Augusta Communities in the amount of \$90,000.

C. RECOMMENDATION:

Approve the financial accounting for the period April 1, 2014 to June 1, 2014.

I. UPDATE ON PENDING PROJECTS/ACTIVITIES.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

Staff will provide a verbal update on pending ICFA projects/activities.

C. RECOMMENDATION:

Information only.

VI. COMMENTS FROM BOARD MEMBERS.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

None.

C. RECOMMENDATION:

None.

VII. MATTERS FROM STAFF.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

None.

C. RECOMMENDATION:

None.

VIII. ADJOURNMENT.

ATTACHMENTS

For The June 25, 2014
Independent Cities Finance Authority
Annual Board Of Directors Meeting/
Annual Executive Committee Meeting

INDEPENDENT CITIES FINANCE AUTHORITY

**BOARD OF DIRECTORS REGULAR MEETING
APRIL 16, 2014**

MINUTES

I. CALL TO ORDER.

The regular meeting of the Board of Directors of the Independent Cities Finance Authority (ICFA) was called to order in the City of Vernon on April 16, 2014 at 12:10 p.m. by President Mike McCormick.

II. ROLL CALL.

Members Of The Executive Committee/Board of Directors Present (Voting)

W. Michael McCormick, President	Vernon
Mario Gomez, Vice President	Huntington Park
Stephen Ajobiewe	Compton
Sylvia Ballin	San Fernando
Gil Hurtado	South Gate
Ricardo Pacheco	Baldwin Park

Alternate Members Of The Board of Directors Present

None

The City of Lynwood was not represented by a voting member.

Guests Present

April Davila	Tripepi Smith & Associates
Pam Newcomb	Newcomb Williams Financial Group
Preston Olsen	Ballard Spahr
George Turk	Millennium Housing
Janees Williams	Newcomb Williams Financial Group
Wes Wolf	Wolf & Company, Inc.

Staff Present

Parissh Knox	Best Best & Krieger LLP
Debbie Smith	Smith, Alvarez & Castillo/ICFA

III. AMENDMENTS OR ADJUSTMENTS TO THE AGENDA.

There were no amendments or adjustments to the agenda.

IV. PUBLIC COMMENTS.

There were no members of the public who wished to speak.

V. NEW BUSINESS.

A. APPROVAL OF MINUTES OF THE OCTOBER 17, 2013 BOARD OF DIRECTORS MEETING.

It was moved by Gil Hurtado, seconded by Sylvia Ballin, and unanimously carried to approve the minutes of the October 17, 2013 Board of Directors meeting.

B. APPROVAL OF THE REFINANCING OF A 227 MANUFACTURED HOME COMMUNITY BY ICFA FOR MILLENNIUM HOUSING OF CALIFORNIA AND ITS AFFILIATES, COACH OF SAN DIEGO, INC. AND MILLENNIUM HOUSING CORPORATION LOCATED IN THE COUNTY OF SAN MATEO (MOSS BEACH).

Staff reported generally as follows:

The proposal is to finance the refunding of a manufactured home community in Moss Beach located in the County of San Mateo (Pillar Ridge Manufactured Home Community).

George Turk of Millennium Housing provided a brief report on the park and on all aspects of financing of the project.

Staff presented a report on manufactured home communities financed through ICFA, the financial team, and costs of issuance for the project.

President McCormick thanked Mr. Turk for bringing this financing to the Authority, and asked if there were any questions or comments. There were none.

It was moved by Gil Hurtado, seconded by Mario Gomez, and unanimously carried to approve all aspects of the proposed financing on behalf of Millennium Housing.

C. APPROVAL/ADOPTION OF RESOLUTION NO. 2014-1 (A RESOLUTION OF THE BOARD OF DIRECTORS/EXECUTIVE COMMITTEE OF THE INDEPENDENT CITIES FINANCE AUTHORITY AUTHORIZING THE ISSUANCE IN ONE OR MORE SERIES OF ITS NOT TO EXCEED \$32,750,000 AGGREGATE PRINCIPAL AMOUNT OF INDEPENDENT CITIES FINANCE AUTHORITY MOBILE HOME PARK REVENUE REFUNDING BONDS (PILLAR RIDGE) SERIES 2014, AND APPROVING CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH)

Staff reported generally as follows:

Resolution 2014-1 is the ICFA document which formally authorizes the issuance and delivery of the bonds and authorizes the execution of the bond documents. The various bond documents facilitate the funding thereof.

It was noted that ICFA will receive a fee at closing equal to 20 basis points times the principal amount of the bonds issued. ICFA will thereafter receive an annual fee equal to 10 basis points on the outstanding principal of the bonds as long as the bonds are outstanding. The bonds are not an obligation of the Authority. They are payable solely from revenues from the parks to repayment of the bonds. Generally, after issuance of the bonds, ICFA's responsibilities will be limited to reviewing reports provided by the Oversight Agent and the Trustee.

President McCormick asked if there were any questions or comments. There were none.

It was moved by Mario Gomez, seconded by Gil Hurtado, and unanimously carried as follows:

1. To approve/adopt Resolution 2014-1 approving the bond issuance and the various agreements and documents relating thereto; and
2. To authorize President McCormick and staff to execute all necessary documents.

D. REPORT ON THE STATUS OF AB 2046 (GOMEZ) - JOINT EXERCISE OF POWERS: FINANCING.

Staff reported generally as follows:

AB 2046 (Gomez) would allow California Joint Powers Authorities to issue bonds and enter into loan agreements or refinance private projects located outside of the State of California.

ICFA and the California Municipal Finance Authority are co-sponsors of AB 2046. The bill passed out of the Assembly Local Government Committee on April 9th. ICFA will be asked to testify when the bill is heard in the Senate.

President McCormick asked if there were any questions or comments. There were none.

It was moved by Gil Hurtado, seconded by Mario Gomez, and unanimously carried to continue to co-sponsor AB 2046.

E. REPORT ON ICFA EDUCATIONAL CONFERENCE HELD ON MARCH 20, 2014.

Staff thanked all those who participated in the ICFA educational conference held March 20, 2014 on the topic of "Energy Retrofits: How California Cities Are Overhauling Infrastructure For Greater Sustainability." A detailed report was provided on all aspects of the event, including sponsors and the financial aspects of the seminar.

It was agreed that the conference was very informative, that the format worked well (wherein the moderator asked questions of the panelists), and that overall the event was a success.

President McCormick asked if there were any questions or comments. There were none.

It was moved by Gil Hurtado, seconded by Mario Gomez, and unanimously carried to receive and file the report.

F. STATUS REPORT ON AMENDEMENTS TO THE ICFA JOINT EXERCISE OF POWERS AGREEMENT.

Staffed noted that on July 31, 2013 the Board of Directors authorized staff to distribute proposed modifications to the Joint Powers Agreement which would change the title of the staff person designated to oversee the operations of ICFA to

be changed to Executive Director (instead of Program Administrator), as well as include references to housing authorities and their specific powers to issue certain types of bonds. As of April 16, 2014 over two-thirds of the voting members (seven) cities approved the amendments to the Joint Powers Agreement, therefore, said amendments are now effective.

President McCormick asked if there were any questions or comments. There were none.

It was moved by Mario Gomez, seconded by Gil Hurtado, and unanimously carried to receive and file this item.

G. APPROVAL/ADOPTION OF AUDIT REPORT FOR YEAR ENED JUNE 30, 2013.

Staff noted that the audit report was conducted by Robert Eichel & Associates in accordance with auditing standards generally accepted in the United States of America. In their opinion, the basic financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2013 and the results of its operations and its cash flows for the year then ended.

President McCormick asked if there were any questions or comments. There were none.

It was moved by Mario Gomez, seconded by Gil Hurtado, and unanimously carried to approve/adopt the audit report for year ended June 30, 2013.

H. APPROVAL OF FINANCIAL ACCOUNTING FOR THE PERIOD OCTOBER 1, 2013 TO APRIL 1, 2014.

It was moved by Gil Hurtado, seconded by Mario Gomez, and unanimously carried to approve the financial accounting for the period October 1, 2013 to April 1, 2014.

I. UPDATE ON PENDING PROJECTS/ACTIVITIES.

Staff provided an update on numerous projects/activities that ICFA is involved in.

VI. COMMENTS FROM BOARD MEMBERS.

Mario Gomez noted that the City of Huntington Park held its Council reorganization and that Rosa Perez is currently the Mayor.

President McCormick noted that the City of Vernon held their Council reorganization and he will continue to serve as Mayor.

President McCormick invited those in attendance to a groundbreaking ceremony on April 26, 2014 at Salt Lake Park Soccer Field in the City of Huntington Park. Mario Gomez thanked the City of Vernon for their generous donation on behalf of the City of Huntington Park.

Mario Gomez noted that the City Manager, Rene Bobadilla, recently broke his leg, but is recovering well. All those in attendance extended their best wishes for a speedy recovery.

VII. COMMENTS FROM STAFF.

An update was provided on the Marineland Mobile Home Park and their enforcement of the Regulatory Agreement.

VIII. ADJOURNMENT.

There being no further business to be discussed, the meeting was adjourned at 12:50 p.m.

Respectfully submitted,

_____/s/
Deborah J. Smith
Executive Director

INDEPENDENT CITIES FINANCE AUTHORITY
MARKET RATE LEASE PURCHASE HOMEOWNERSHIP INITIATIVE

Potential homebuyers continue to find it difficult to qualify for mortgage financing as lenders remain cautious of legal and/or financial repercussions that may result if loan defaults occur. Although the average FICO score for conventional loans fell to 761 in February 2014 from 764 a year earlier, access to mortgage credit still remains significantly restricted.

As further evidence of restricted access to mortgage credit, former Federal Reserve Governor Elizabeth Duke reveals that during the five years “(f)rom 2007 through 2012, new home purchases fell 30 percent for people with credit scores above 780. But they declined 90 percent for prospective mortgagors with scores between 620 and 680 - historically a respectable range for a credit score”.

The proposed Market Rate Lease Purchase Homeownership Initiative (hereinafter “Initiative”) offers prospective mortgagors access to affordable mortgage financing by qualifying to assume a mortgage loan originated by Independent Cities Finance Authority (hereinafter “ICFA”) to acquire a single family property that the prospective mortgagor will reside in per the terms of a thirty-six month lease agreement while becoming eligible to purchase the property from ICFA at the end of the lease term.

During the lease term, prospective mortgagors actively participate in homebuyer education, financial literacy, and credit management programs facilitated by non-profit partners to become eligible to purchase the property from ICFA through qualifying loan assumption at the conclusion of the lease term. This loan assumption provides access to affordable financing and conveys the benefits of any principal reduction, loan amortization, and property appreciation experienced during the lease term.

The funding needed by ICFA to acquire single family properties to lease to prospective mortgagors is made available through a structured finance transaction that provides access to mortgage financing from a consortium of mortgage lending partners, each of whom must pay a commitment fee to participate in the proposed Initiative. This structured finance transaction also generates funding to compensate ICFA, to pay professional delivery costs, and to establish and fund infrastructure to market and manage on-going operations of the proposed Initiative.

Emerging Markets Group, LLC respectfully requests the opportunity to structure, implement, and manage the proposed Initiative and the related structured finance transaction on behalf of ICFA. At the direction of ICFA, Emerging Markets Group, LLC will determine the optimal operational and financial structure of the proposed Initiative and the related transaction for ICFA’s consideration and potential approval. Emerging Markets Group, LLC will also assemble and implement the necessary infrastructure to facilitate on-going operations of the proposed Initiative.

As ICFA approves the proposed structure of the Initiative and the related transaction, Emerging Markets Group, LLC will secure commitments from lenders, from lease and mortgage loan servicers, from property managers, and from non-profit partners to establish infrastructure needed to perform anticipated marketing, processing, origination, and management activities. Emerging Markets Group, LLC will also collect commitment fees from lenders for deposit with an escrow agent and secure investor/guarantor commitments, available subsidy contributions, and requisite credit enhancement.

Once commitments are in place to guarantee, fund, and facilitate the operations and management of the proposed Initiative, Emerging Markets Group, LLC will present the final structure of the proposed Initiative and the structured finance transaction to ICFA for consideration and approval.

Approval from ICFA authorizes the execution of contractual agreements to consummate and implement the proposed Initiative. Approval also authorizes the escrow agent to release commitment fees to compensate ICFA, to pay professional delivery costs, and to fund initial marketing and operations of the Initiative.

ICFA's approval also enables lenders to begin accepting applications and qualifying prospective mortgagors. To initiate this process, a contractually obligated mortgage loan servicer will announce mortgage loan rates based upon prevailing daily investor rates. Lenders will use these mortgage loan rates to qualify prospective mortgagors and to underwrite mortgage loans that will provide the funds ICFA will use to acquire properties.

Lenders will be compensated to originate these mortgage loans and to sell them to the mortgage loan servicer. The mortgage loan servicer will then aggregate these mortgage loans to create mortgage backed securities that will be sold to investors at a premium to generate moneys needed to pay program-related fees and fund cash reserve accounts that will guarantee timely mortgage payments and fund property repairs.

A mortgage reserve fund will be established to provide funds needed by ICFA to remit monthly mortgage payments if lease payments are not received when due. In addition, a commercial business interruption policy will be put in place that will advance monthly lease payments to ICFA if the mortgage reserve fund becomes depleted. This policy is an endorsement to a group hazard insurance policy that provides property, casualty, and liability coverage on all properties during the lease period.

Properties will also be covered by a home warranty to minimize maintenance and repair expenses incurred during the lease period. However, a property preservation and insurance deductible reserve fund will be established to ensure that funds are available to ICFA to pay any expenses that are not covered by the hazard insurance policy or the home warranty.

To participate in this Initiative, prospective mortgagors must make application to a lender and qualify according to specific mortgage loan underwriting and eligibility guidelines. Once approved to select a property, prospective mortgagors must pay a nominal participation fee and actively participate in homebuyer education, financial literacy, and credit management programs designed to successfully mentor the prospective mortgagors toward assumption throughout the lease term.

After submitting timely lease payments, establishing sufficient financial stability, and responsibly maintaining the condition and appearance of the leased property to become eligible to purchase the property through qualifying loan assumption, the prospective mortgagor may assume the mortgage loan on the property from ICFA and become the immediate beneficiary of any loan amortization, principal reduction, and property appreciation experienced during the lease period.

Upon assuming the mortgage loan that was initially originated by ICFA to acquire the property, the prospective mortgagor becomes the new owner of the property as well as the mortgagor of record for the related existing mortgage loan. The successful assumption of the existing mortgage loan terminates the responsibilities of ICFA as they relate to the property and to the new property owner.

Authorizing the implementation of the proposed Market Rate Lease Purchase Homeownership Initiative will offer access to affordable and sustainable homeownership opportunities for as many as two hundred prospective mortgagors throughout ICFA's program area. For doing so, ICFA can anticipate earning as much as 3.00% of the total dollar volume of mortgage loans originated to acquire eligible properties, as illustrated in the following pro-forma production estimates/budgets:

PRODUCTION ESTIMATES/BUDGETS

The twenty-four (24) month production goal of the proposed Market Rate Lease Purchase Homeownership Initiative is to originate an estimated \$50 million of lease purchase mortgage loans for the acquisition of as many as two hundred single family properties for sale to prospective homebuyers through qualifying loan assumption at the conclusion of a thirty-six month lease period.

Successful origination of all available mortgage loan proceeds will benefit Independent Cities Finance Authority as follows:

Assumptions:

Initiative Allocation	\$50,000,000.00		
Sponsor Fee	0.125%	Mortgage Reserve Fund Residual	0.50%
		Property Preservation Fund	
Annual Property Tax Rates:		Residual	0.50%
California	1.00%	Structuring Agent Fee	0.0625%

Program Sponsor Revenues

Program Sponsor Fee	\$62,500.00
Monetized Property Tax Exemption:	
Year 1	\$500,000.00
Year 2	\$500,000.00
Year 3	\$500,000.00
Mortgage Reserve Fund Residual*	\$250,000.00
Property Preservation Fund Residual*	<u>\$250,000.00</u>
Revenue(s)	\$2,062,500.00
Structuring Agent Fee	<u>\$31,250.00</u>
Expense(s)	\$31,250.00
Net Gain/(Loss)	\$2,031,250.00

** Residual balances held in the Mortgage Reserve Fund and the Property Preservation Fund may be released to the Program Sponsor upon the disposition of all Properties and the assumption, or other transfer of title, of all Conforming Mortgage Loans, all of which will occur at the conclusion of the three-year lease period.*

INDEPENDENT CITIES FINANCE AUTHORITY
MARKET RATE LEASE PURCHASE
HOMEOWNERSHIP INITIATIVE

Prepared

and

Submitted

by

Guy D. Burgoon

Emerging Markets Group, LLC
972/403-8211 office
214/405-6365 mobile
guy.burgoon@emginitiatives.com

April 2014

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1 INTRODUCTION

Since 2007, an estimated 7.1 million homeowners have lost their homes to foreclosure or short sale according to RealtyTrac. The majority of these former homeowners have since become renters while they've worked to improve their finances. Fortunately, many of them have succeeded in their efforts, and they are increasingly beginning to consider single family homeownership again.

According to Mark Zandi, chief economist for Moody's Analytics, more than one million of these former homeowners are now eligible for mortgages backed by the Federal Housing Administration, which considers applicants three years after a foreclosure or short sale. Furthermore, he anticipates that eligible households will expand to nearly 2 million by the end of 2014. "This could be a significant source of housing demand going forward," Zandi says. "Lots of people lost jobs through no fault of their own. They will be good credit risks in a reasonably good economy. It was not their willingness that was the problem, but their broad ability to pay".

However, these potential borrowers are finding it difficult to qualify for mortgage financing as lenders remain cautious of legal and/or financial repercussions that may result from defaulted loans. Although the average FICO score for conventional loans fell to 761 in February 2013 from 764 a year earlier, according to Elli Mae (a provider of software to the mortgage industry) access to mortgage credit still remains significantly restricted.

As further evidence of restricted access to mortgage credit, former Federal Reserve Governor Elizabeth Duke reveals that "(f)rom 2007 through 2012, new home purchases fell 30 percent for people with credit scores above 780 (out of 800). But they declined 90 percent for people with scores between 680 and 620 - historically a respectable range for a credit score".

HOUSING INVENTORY

While former homeowners have improved their circumstances, an estimated five million of the homes that they collectively lost to foreclosure or short sale have been acquired and revitalized.

Although many of these properties have been purchased by owner-occupants, it's estimated that two million of them have been repositioned by investors seeking gains on the sale of renovated property or cash flow from rental income.

These efforts initially served to stabilize communities that were once plagued by vacant homes, which helped improve the economic fundamentals of the markets in which they were located. However, renters rapidly vacated multifamily units in favor of investor-owned single family rental properties causing single family lease rates to increase. As this trend accelerated, opportunistic investors continued acquiring significant numbers of rental properties in states hit hardest by the foreclosure crisis such as Arizona, California, Florida, Georgia, and Illinois.

As a result, "...there's a huge imbalance between what it costs to rent versus what it costs to buy in most markets", said Rick Sharga, former executive vice president of Carrington Holding Company, LLC. "The cost of renting a home (is) 44 percent higher than owning, after

factoring in costs such as insurance and taxes and benefits, such as mortgage interest deductions”, according to chief economist Jed Kolko of Trulia, a San Francisco-based online real estate information service. “That’s little changed from a year ago, even as home prices rose because lower interest rates have kept housing affordability level”, he added.

Fortunately, as the real estate market continues to improve, home prices and historically low mortgage rates are expected to remain stable. The resulting housing affordability may, in part, help explain why 75 percent of potential homebuyers said in a recent survey that it’s better to buy a home now than a year from now. And given the imbalance between costs of renting versus buying, it’s likely that a significant number of these respondents were part of the 42 percent of renters surveyed who wish they had bought instead of rented.

LEASE PURCHASE FINANCING

Assumable lease purchase mortgage loans provide an affordable and sustainable form of alternative financing that can be used to facilitate eventual homeownership for some of the 90% of people with FICO scores from 620-680 who have been denied access to mortgage financing.

Lease purchase loans enable applicants to reside in the home of their choice during a predetermined lease period while establishing or improving their finances and their credit reputation to become qualified to own the home. Upon becoming qualified, applicants may elect to assume the outstanding balance of the mortgage loan that was originated at the beginning of the lease period to acquire the home.

To participate in the lease purchase initiative, applicants must meet stated eligibility requirements and agree to actively participate in homebuyer education, financial literacy, and credit/debt management. However, applicants do not need to initially qualify for financing as if they were purchasing the home as mortgagor of record.

Upon receiving approval to participate in the lease purchase initiative, applicants will select a home that is priced equal to or less than the amount included in their approval notification. Documentation regarding the home, including the results of an inspection and an independent appraisal, will be submitted for review and consideration. If the home meets program and applicant eligibility requirements, it will be purchased and the applicant(s) will enter into a lease purchase agreement to reside in it as lessee(s)/tenant(s).

The lease purchase agreement gives the lessee(s)/tenant(s) the option to purchase the home at a predetermined price at the end of the lease term by qualifying to assume the remaining mortgage balance on the home. The lessee(s)/tenant(s) must also comply with all other terms and conditions expressed in the lease agreement, maintain the home in good condition and appearance, and comply with all code enforcement laws, regulations, and local ordinances to become eligible to purchase the property through qualifying loan assumption at the end of the lease term.

Eligible lessees/tenants will submit an application at the end of the lease period that will be underwritten to determine their eligibility to assume the outstanding balance of the fixed rate loan initially originated to acquire the home. The Mortgage Servicer will consider compliance with the terms and conditions specified in the lease agreement, timeliness of lease payments, and credit reputation.

Upon assumption of the existing mortgage note from the program sponsor, ownership of the home is transferred to the lessee/tenant as mortgagor of record. The benefit of any loan amortization and property appreciation during the lease term also transfers to the new mortgagor.

PROGRAM IMPLEMENTATION

The program sponsor of a lease purchase initiative will be an instrumentality of government and/or a non-profit entity with a multi-state, or perhaps, national jurisdiction.

The program sponsor will authorize and implement the lease purchase initiative. Doing so will provide access to affordable homeownership opportunities for potential homebuyers at a time when credit underwriting standards remain prohibitively stringent. In exchange, the program sponsor can anticipate earning fees paid on the total dollar volume of mortgage loans originated to acquire eligible properties.

Upon authorizing the creation of a lease purchase initiative, the program sponsor will engage a structuring agent to create, implement, and manage both the structured financing required to fund the proposed initiative and the necessary infrastructure to facilitate daily program operations.

The structuring agent will recruit mortgage lenders to market the availability of the lease purchase initiative in their respective program area(s) during a predetermined loan origination period. Lenders will also be responsible for qualifying potential lessees and originating mortgage loans in accordance with applicable program guidelines. In exchange, participating mortgage lenders can anticipate earning fees paid on the total dollar volume of eligible mortgage loans they originate per program guidelines.

A provider of property services, including lease servicing and property management, will also be required to collect and remit monthly lease payments and maintain the appearance and upkeep of program sponsor-owned properties throughout the lease term. For providing these services, the property service(s) provider can anticipate earning monthly fees that are included in monthly lease payments and paid by lessees/tenants.

A non-profit provider of financial literacy, homebuyer education, and credit management will also be required to mentor lessees/tenants successfully toward assumption throughout the lease term. For providing these services, the non-profit service(s) provider can anticipate earning monthly fees that are included in monthly lease payments and paid by lessees/tenants.

Once the requisite financing and infrastructure are in place, the program sponsor will approve and initiate program operations for a pre-determined period of time. During this time, the structuring agent will facilitate and manage all program-related activities at the discretion of the program sponsor. The structuring agent will endeavor on the sponsor's behalf to promote program awareness, loan origination, and property assumption.

Successful implementation and completion of the lease purchase initiative will accomplish the origination of all available program proceeds and the timely assumption of all sponsor-owned properties. This, in turn, will ensure that all lessees/tenants have achieved homeownership and that all anticipated revenues have been realized.

2 OBJECTIVES

Create and offer a daily-priced, market-rate, lease purchase homeownership initiative for implementation in California to provide prospective homeowners improved accessibility to mortgage financing and the following benefits:

- privilege to select and reside in an existing or a newly constructed single family property during a thirty-six month lease period while simultaneously establishing or improving their credit reputation and becoming qualified to purchase the property through qualifying assumption of the existing underlying fixed-rate mortgage loan.
- participation in homebuyer education, financial literacy, and credit management curriculum designed to instill and encourage personal fiscal responsibility of participants who contractually agree to establish a sufficient credit profile and remit timely lease payments to become eligible to purchase the property through qualifying assumption of the existing underlying fixed-rate mortgage loan.
- qualifying assumption of existing underlying fixed-rate mortgage loan and any loan amortization, principal reduction, and/or property appreciation experienced during the thirty-six month lease period.

3. PARTICIPANTS/ROLES

THE PROGRAM SPONSOR

The Program Sponsor will use its status as an instrumentality of government and non-profit entity to authorize the creation, funding, and implementation of a market rate lease purchase homeownership initiative by a national network of institutional mortgage banking, real estate, and property services providers that will facilitate the acquisition of single family properties for lease to prospective homebuyers who will subsequently purchase those properties through qualifying loan assumption.

THE NON-PROFIT CORPORATION

The Non-Profit Corporation will be an affiliated entity of the Program Sponsor and created to acquire and own single family properties as Mortgagor of Record and payment guarantor of mortgage loans originated to acquire those properties for a three-year period while prospective homebuyers remit lease payments per the terms of a concurrent lease agreement and become qualified to purchase the property through loan assumption at the conclusion of the lease term. The Non-Profit Corporation will also be the named insured of an all-risk hazard insurance policy to insure against property damage and liability. This policy also includes a commercial business interruption endorsement that will advance lease payments in the event of delinquency to ensure the continued timely payment of mortgage loans throughout the lease term.

STRUCTURING AGENT

The Structuring Agent is responsible for determining the comprehensive operational and financial structure of the proposed lease purchase initiative. As such, the Structuring Agent prepares the initial market analysis of a specific program area to determine the feasibility of the proposed lease purchase program. In doing so, the Structuring Agent defines program objectives, negotiates program parameters, determines infrastructure requirements, and prepares financial models. The Structuring Agent then prepares preliminary documentation for the proposed initiative including the program description, program summary, and program guidelines. The Structuring Agent uses these and other related materials to recruit program partners including administrators, servicers, lenders, and other professionals that will collectively serve as the infrastructure needed to facilitate education, origination, processing, and management efforts. The Structuring Agent secures investor commitments, subsidy contributions, and any credit enhancement needed to realize desired economic efficiencies for the program. The Structuring Agent also coordinates the securitization and eventual sale of program loans with the Mortgage Servicer.

MORTGAGE SERVICER

The Mortgage Servicer will calculate a mortgage loan rate each day based upon prevailing daily investor rates and announce it to Lenders. Lenders will use this mortgage loan rate to qualify applicants and underwrite mortgage loans that will provide the funds the Program Sponsor will use to acquire single family properties. The Mortgage Servicer will buy these mortgage loans from Lenders and begin collecting mortgage loan payments submitted on behalf of the Program Sponsor by the Lease Servicer. The Mortgage Servicer will also aggregate these mortgage loans to create mortgage backed securities that will be sold to investors at a premium and generate moneys needed to pay program-related fees and fund cash reserve accounts on behalf of the Program Sponsor.

LEASE SERVICER

The Lease Servicer will collect monthly lease payments on behalf of the Program Sponsor, or its affiliated Non-Profit Corporation, as specified in each lease agreement, and remit appropriate amounts as specified therein. The Lease Servicer will notify lessees of any delinquent lease payments and notify the Program Sponsor, or its affiliated Non-Profit Corporation, and the Mortgage Servicer of any such delinquency. The Program Sponsor will immediately authorize the lease payment to be paid to the Lease Servicer from a mortgage reserve fund or from funds provided on behalf of the Program Sponsor per a business interruption endorsement to the commercial insurance policy that guarantees timely payment of lease payments.

PROPERTY MANAGER

The Property Manager will assume property management responsibilities for each property during the lease period. The Property Manager will also coordinate with the lessee, the program all-risk insurance provider, and the home warranty carrier to ensure that any damage, repairs, or maintenance needs are appropriately addressed and completed. The Property Manager will conduct periodic walk-through inspections of the property to assess its condition and appearance.

LENDERS

Participating Lenders will be compensated to market the availability of the market rate lease purchase initiative, to qualify Applicants, and to originate first lien mortgage loans that will provide the funds the Program Sponsor, or its affiliated Non-Profit Corporation, will use to acquire both newly-constructed and existing single family properties. Lenders will sell these mortgage loans and the related loan servicing rights to the Mortgage Servicer in exchange for a servicing release fee.

ESCROW AGENT

The Escrow Agent maintains all program-related funds on deposit for the benefit of the Program Sponsor and facilitates and documents the flow of these funds for all program-related activities and expenses at the direction and on behalf of the Program Sponsor.

PROPERTY TAKE-OUT PROVIDER

The Property Take-Out Provider will contractually agree to purchase those properties owned by the Program Sponsor that Lessees are unable to purchase through qualifying assumption. The take-out agreement will provide the Program Sponsor with an alternative and definitive means of transferring property ownership and terminating all related mortgage loan payment guarantor obligations.

4 MARKET RATE LEASE PURCHASE HOMEOWNERSHIP INITIATIVE

The proposed Market Rate Lease Purchase Homeownership Initiative (hereinafter “Initiative”) offers prospective mortgagors (hereinafter “Applicants”) access to market rate mortgage financing by qualifying to assume a mortgage loan originated by the Independent Cities Finance Authority (hereinafter “Program Sponsor”) to acquire a single family property (hereinafter “Property”) selected by the Applicant to reside in per the terms of a thirty-six month lease agreement while participating in homebuyer education, financial literacy, and credit management programs to become qualified to purchase the Property from the Program Sponsor.

During the lease term, Applicants actively participate in homebuyer education, financial literacy, and credit management programs facilitated by non-profit partners to prepare to purchase the Property from the Program Sponsor through qualifying assumption at the conclusion of the lease term. This qualifying assumption provides access to historically low interest rates and conveys the benefits of principal reduction, loan amortization, and any property appreciation experienced during the lease term.

The funding needed by the Program Sponsor to acquire Properties to lease to Applicants is made available through a structured finance transaction (hereinafter “Transaction”) that provides access to mortgage financing from a consortium of approved mortgage lending partners (hereinafter “Lenders”), each of whom must pay a fee (hereinafter “Commitment Fee”) to participate in the Initiative. This Transaction also generates funding to pay Program Sponsor fees and professional delivery costs and to establish infrastructure to market the availability and manage operations of the Initiative.

This Transaction is structured and administrated on behalf of the Program Sponsor by Emerging Markets Group, LLC (hereinafter “Structuring Agent”) per the terms of a contractual agreement. At the direction of the Program Sponsor, the Structuring Agent determines the optimal operational and financial structure of the proposed Initiative and related Transaction for the Program Sponsor to consider and approve.

After the Program Sponsor approves the proposed structure of the Initiative and the related Transaction, the Structuring Agent secures commitments from Lenders, from lease and mortgage loan servicers, from property managers, and from non-profit partners to establish infrastructure needed to facilitate anticipated marketing, processing, origination, and management activities. The Structuring Agent also collects Commitment Fees from Lenders for deposit with an escrow agent (hereinafter “Escrow Agent”), and secures investor/guarantor commitments, available subsidy contributions, and requisite levels of credit enhancement.

Once commitments in the form of contractual agreements are in place to guarantee, fund, and facilitate the operations and management of the Initiative, the Structuring Agent presents the final structure of the Initiative to the Program Sponsor for consideration and approval.

Approval from the Program Sponsor authorizes the execution of contractual agreements to consummate and initiate the Transaction. The approval also authorizes the Escrow Agent to release Commitment Fees for the payment of Program Sponsor fees and professional delivery costs and to fund initial marketing and operations of the Initiative.

The Program Sponsor’s approval also enables Lenders to begin accepting applications and qualifying Applicants. To initiate this process, a contractually obligated mortgage loan servicer (hereinafter “Mortgage Servicer”) will calculate mortgage loan rates each day based upon then prevailing daily investor rates and announce them to Lenders. Lenders will use these mortgage loan rates to qualify Applicants and underwrite mortgage loans that will provide the funds the Program Sponsor will use to acquire Properties.

Lenders will be compensated to originate these mortgage loans (hereinafter “Conforming Mortgage Loans”) and to sell them to the Mortgage Servicer. The Mortgage Servicer will then aggregate Conforming Mortgage Loans to create mortgage backed securities that will be sold to investors at a premium to generate moneys needed to pay program-related fees and fund cash reserve accounts that will guarantee timely mortgage payments and fund property repairs.

A mortgage reserve fund (hereinafter “Mortgage Reserve Fund”) will be established to provide funds needed by the Program Sponsor to remit monthly mortgage payments if lease payments are not received when due. The Mortgage Reserve Fund will initially be funded in an amount equal to 1.00% of the amount of Conforming Mortgage Loans originated and will be reimbursed as lease payments are received.

In addition, a commercial business interruption policy will be put in place that will advance monthly lease payments to the Program Sponsor if the Mortgage Reserve Fund becomes depleted. This policy is an endorsement to a group hazard insurance policy that provides property, casualty, and liability coverage on all Properties during the lease period.

Properties will also be covered by a home warranty to minimize maintenance and repair expenses incurred during the lease period. However, a property preservation and insurance deductible reserve fund (hereinafter "Property Preservation Fund") will be established and initially funded in an amount equal to 1.00% of the amount of Conforming Mortgage Loans originated to ensure that funds are available to the Program Sponsor to pay any expenses that are not covered by the hazard insurance policy or the home warranty.

To participate in this Initiative, Applicants must make application to a Lender and qualify according to specific mortgage loan underwriting and eligibility guidelines. Once approved to select a property, Applicants must pay a nominal participation fee and actively participate in homebuyer education, financial literacy, and credit management programs designed to mentor lessees/tenants successfully toward assumption throughout the lease term.

The efforts of each Applicant to become qualified to purchase the Property they have selected are continuously supported and monitored throughout the duration of the lease term by the credit management services provider.

Applicants must also agree to remit timely lease payments throughout the term of the lease to a lease servicer (hereinafter "Lease Servicer") who will use the proceeds of the lease payment to remit monthly mortgage payments to the Mortgage Servicer on behalf of the Program Sponsor.

The Lease Servicer will collect lease payments from each Applicant on behalf of the Program Sponsor as specified in each lease agreement, and remit appropriate amounts to the Mortgage Servicer and others as directed by the Program Sponsor.

The Lease Servicer will notify Applicants of any delinquent lease payments. The Lease Servicer will also notify the Program Sponsor and the Mortgage Servicer of any such delinquency. The Program Sponsor will immediately authorize the lease payment to be paid to the Lease Servicer from the Mortgage Reserve fund by the Escrow Agent or from funds provided on behalf of the Program Sponsor per a business interruption endorsement to the all-risk commercial insurance policy that guarantees timely payment of lease payments.

The Property Manager will conduct periodic walk-through inspections of the property to assess its condition and appearance. The Property Manager will coordinate with the Applicant, the all-risk insurance policy provider, and the home warranty provider to ensure that any damage, repairs, or maintenance needs are appropriately addressed and completed. The Property Manager will notify the Program Sponsor of any need to draw upon the Property Preservation Fund, which will be held by the Escrow Agent on behalf of the Program Sponsor.

After submitting timely lease payments, establishing sufficient financial stability, and responsibly maintaining the condition and appearance of the leased Property to become eligible to purchase the Property through qualifying assumption, the Applicant may assume the Conforming Mortgage Loan on the Property from the Program Sponsor and become the immediate beneficiary of any loan amortization, principal reduction, and property appreciation experienced during the lease period.

Once approved to assume the Conforming Mortgage Loan originated to acquire the Property, the Applicant becomes the Mortgagor of Record. The successful assumption of the existing mortgage loan terminates the responsibilities of the Program Sponsor as they relate

to the Property and to the Applicant as the new Mortgagor of Record and payment guarantor of the Conforming Mortgage Loan.

5 PRODUCTION ESTIMATES/BUDGETS

The twenty-four (24) month production goal of this \$50 million initiative is to originate an estimated 200 Conforming Mortgage Loans throughout California for the acquisition of \$50 million of single family properties for sale to prospective homebuyers through qualifying loan assumption at the conclusion of a three-year lease period.

Successful origination of all available mortgage loan proceeds will benefit the Program Sponsor as follows:

Assumptions:

Initiative Allocation	\$50,000,000.00		
Sponsor Fee	0.125%	Mortgage Reserve Fund Residual	0.50%
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Program Sponsor Revenues

Program Sponsor Fee	\$62,500.00
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Mortgage Reserve Fund Residual*	\$250,000.00
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Expense(s)	\$31,250.00
Net Gain/(Loss)	\$2,031,250.00

** Residual balances held in the Mortgage Reserve Fund and the Property Preservation Fund may be released to the Program Sponsor upon the disposition of all Properties and the assumption, or other transfer of title, of all Conforming Mortgage Loans, all of which will occur at the conclusion of the three-year lease period.*