

In following up with my voice message, I am writing to inform you that HUD will hold a new Section 108 public offering on May 28, 2015. The City stands to save a substantial amount of money should it opt to refinance its existing note B-99-DC-12-0001, which was in the 2001 public offering, in the upcoming public offering.

Based on current estimates, the net savings would be approximately \$175,005.93 between now and the note's final maturity date. If you choose to participate in the 2015 public offering, you should consider the following:

- The estimate of savings is based on recently quoted yields on US Treasury obligations, which may be either higher or lower when the public offering rates are finalized in May.
- The issuance of a new note may require a resolution/ordinance (or other action) by your governing body (i.e., if the original resolution/ordinance does not contain language/flexibility that would allow community to go forward with the financing opportunity). You should consult with your counsel at the earliest opportunity to determine if such a resolution/ordinance is required for refinancing your current note.
- The new note will not be prepayable, but it can be defeased at any time as provided in the Section 108 Contract.
- You will have to pay issuance costs on the new note, which will probably be in the range of ½ of 1% of the loan amount. The issuance costs are estimated to be approximately \$5,750.00. You may use CDBG funds to pay these costs.
- The terms of the new promissory note must be exactly the same as the existing promissory note (for example, the principal payment schedule will remain the same and the security provisions of the existing note will apply to the new note).
- If the Section 108 funds were loaned to a third-party borrower, you will want to discuss the refinancing option with the third-party entity at your earliest opportunity and determine if the refinancing will work for all parties.
- To enable the refinancing, the existing note will be defeased on the closing date of the public offering by depositing cash in an account with the Section 108 Trustee sufficient to prepay the outstanding balance on August 1, 2015 and to pay interest through that date. The Trustee will transfer the proceeds of the City's new Note into the defeasance account, and the City will be responsible for remitting the interest payment of \$37,412.50, as well as the issuance costs of \$5,750.00.
- See below the City's current interest rates under the Series 2001 note compared to the projected interest rates for the Series 2015-A offering (based on current US Treasury yields and estimated spreads):

	EXISTING	PROJECTED		
	INTEREST	INTEREST	PRINCIPAL	OUTSTANDING
<u>MATURITY</u>	<u>RATE(S)</u>	<u>RATE(S)*</u>	<u>INSTALLMENT</u>	<u>BALANCE</u>
1-Aug-2015	6.25%	0.35%	135,000	1,015,000
1-Aug-2016	6.36%	0.54%	140,000	875,000
1-Aug-2017	6.45%	0.89%	150,000	725,000
1-Aug-2018	6.51%	1.34%	165,000	560,000
1-Aug-2019	6.56%	1.71%	175,000	385,000
1-Aug-2020	6.62%	1.86%	185,000	200,000
1-Aug-2021	6.67%	2.08%	200,000	-
1-Aug-2022	0.00%	2.13%	0	-
1-Aug-2023	0.00%	2.33%	0	-
1-Aug-2024	0.00%	2.43%	0	-
	* as of:	March 23, 2015		

			BORROWER:	ALACHUAFL	
			SERIES:	2001-A	
			CURRENT LOAN BALANCE:	1,150,000	
			NEW NOTE AMOUNT:	1,150,000	
			FIRST OPTIONAL REDEMPTION DATE:	8/1/2015	
			<u>SOURCES OF FUNDS IN DEFEASANCE ACCOUNT</u>		
			TRUSTEE TRANSFERS PROCEEDS FROM NEW NOTE:	\$ 1,144,250	
			BORROWER REMITS ISSUANCE COSTS:	5,750	
			BORROWER REMITS CURRENT NOTE'S LAST INT PAYMENT:	37,413	*
			TOTAL SOURCES:	\$ 1,187,413	
			<u>USES OF FUNDS IN DEFEASANCE ACCOUNT</u>		
			INTEREST PAYMENT DUE ON 8/1/2015:	(37,413)	
			SCHEDULED PRINCIPAL PAYMENT ON 8/1/2015:	(135,000)	
			PREPAYMENT OF FUTURE PRINCIPAL PAYMENTS:	(1,015,000)	
			TOTAL USES:	\$ (1,187,413)	
			*TOTAL AMOUNT REMITTED BY BORROWER:	\$ 43,163	

Please let us know if the City would be interested in refinancing its existing Section 108 note. If you have any questions, please do not hesitate to ask.

Thank you,
ShaRon Z. McCrae
Financial Management Division
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