



Florida Home Builders Association

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LENDING PRACTICES PUTTING FLORIDA'S HOUSING INDUSTRY IN GREATER JEOPARDY

*Credit-Worthy Builders Near Brink of Financial Disaster
Further Deteriorating Florida's Economy*

TALLAHASSEE: November 24, 2008 – Struck hard by the mortgage and credit crisis, Florida builders today said the industry's ability to provide housing is in jeopardy. Extreme financial institution business practices are forcing solvent, credit-worthy home builders to the brink of financial disaster.

While the Federal government is working to stabilize financial markets, lending institutions are reappraising the values of underlying assets on loans, and forcing builders and developers to come up with large amounts of cash to restore the loan to its original loan to value ratio. Not only are banks making additional capital calls, they are calling in loans not in default, eliminating lines of credit, and in many cases, altogether doing away with construction financing.

"The current method banks are using to recapitalize is exacerbating Florida's economic problems," said Jay Carlson, President of the Florida Home Builders Association. "Despite the borrower being solvent and making payments on their construction loans, the cash call is impairing what were previously good loans, and forcing builders into insolvency. This situation is creating an unnecessary deteriorating strain on our economy."

Earl Snyder, an Englewood contractor of affordable homes backed by FHA/VA financing, is a prime example of what's happening throughout Florida. Snyder, with a superior credit score of 848, has never been late on loan repayments, yet his bank has given him 60 days to repay a \$2.5 million construction loan. He currently has eight homes in various stages of construction, has building material, employee and subcontractor bills to pay, yet he can not receive an approved and authorized draw (payment) from the loan and is in jeopardy of losing his business because he's forced to suddenly pay off this multi-million dollar loan before maturity.

In an effort to prevent greater economic and financial turmoil in Florida, the Florida Home Builders Association (FHBA) is working with state and federal elected leaders. Today, FHBA leadership met with Florida's Chief Financial Officer Alex Sink. In the last few weeks, FHBA leaders and members have met with U.S. Senator Christopher Dodd, Chairman of the Senate Banking Committee, and Members of Congress from Florida's delegation. FHBA leadership will also be holding talks with the Florida Bankers Association.

To resolve this crisis, FHBA is calling on elected leaders to request the U.S. Treasury to implement an intermediate step that gives some leeway to residential real estate construction loan borrowers who are current and who have loans with financial institutions that are participating in the Treasury's HOPE NOW program or any financial rescue program. This leeway could allow borrowers time to adjust their finances or find other funding sources until they are able to complete and sell their new home inventories. This action is similar to that available for homeowners under the HOPE NOW program.

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About FHBA: The Florida Home Builders Association is a Tallahassee, Florida-based trade association representing more than 15,000 corporate members involved in Florida's home building, remodeling and commercial construction industry. Known as "the voice of Florida's housing industry," FHBA is affiliated with 28 local home builders associations throughout Florida. Its subsidiaries include Florida Home Builders Insurance, Inc., which provides risk management and insurance services to members. FHBA was founded in 1949 as the state affiliate of the National Association of Home Builders. Visit us on the web at www.fhba.com.