

Ohio Homeowner Assistance, LLC

**Financial Statements and
Independent Auditor's Report**

December 31, 2012

Ohio Homeowner Assistance, LLC

Index

	Page
Independent Auditor's Report	3
Financial Statements	
Balance Sheet	5
Statement of Operations	6
Statement of Member's Equity	7
Statement of Cash Flows	8
Notes to Financial Statements	9

Independent Auditor's Report

To the Board of Directors
Ohio Homeowner Assistance, LLC

We have audited the accompanying financial statements of Ohio Homeowner Assistance, LLC, which comprise the balance sheet as of December 31, 2012, and the related statements of operations, member's equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Homeowner Assistance, LLC as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1, Ohio Homeowner Assistance, LLC is an affiliated organization of Ohio Capital Corporation for Housing and is under common control.

A handwritten signature in cursive script that reads "Cohn Reznick LP".

Bethesda, Maryland
April 22, 2013

Ohio Homeowner Assistance, LLC

Balance Sheet

December 31, 2012

Assets

Assets	
Cash and cash equivalents	<u>\$ 47,869,635</u>
Total assets	<u><u>\$ 47,869,635</u></u>

Liabilities and Member's Equity

Liabilities	
Accounts payable	\$ 1,770,354
Deferred revenue	<u>46,099,281</u>
Total liabilities	<u>47,869,635</u>
Member's equity	<u>-</u>
Total liabilities and member's equity	<u><u>\$ 47,869,635</u></u>

See notes to financial statements

Ohio Homeowner Assistance, LLC

Statement of Operations

Year ended December 31, 2012

Revenue		
Administrative expense reimbursement		\$ 11,351,951
Program income (Note 2)		
Rescue payment	\$ 36,405,957	
Mortgage payment assistance	30,648,439	
Lien elimination	3,612,346	
Modification with contributions	142,655	
Transition assistance	40,000	70,849,397
Total revenue		<u>\$ 82,201,348</u>
Expenses		
OHA administrative expenses		
Salaries and personnel	\$ 220,239	
Professional services	218,780	
Building, lease, equipment and technology	29,209	
Bank charges	24,537	
Office supplies, postage and delivery, subscriptions	13,540	
Miscellaneous expenses	955	\$ 507,260
OHFA administrative expenses		
Housing counseling agency	5,167,705	
Salaries and personnel	3,185,364	
Recording and title fees	989,514	
Information technology and telecommunications	660,885	
Marketing and public relations	294,631	
Professional services	286,180	
Building, lease, equipment and technology	105,960	
Special servicer fees	46,380	
County recorder fees and homeowner contributions	40,831	
Office supplies, postage and delivery, subscriptions	20,727	
Training	20,357	
Travel	17,707	
Miscellaneous expenses	8,450	10,844,691
Total administrative expenses		11,351,951
Program expenses (Note 2)		<u>70,849,397</u>
Total expenses		<u>\$ 82,201,348</u>
Net income		<u>\$ -</u>

See notes to financial statements

Ohio Homeowner Assistance, LLC

Statement of Member's Equity

Year ended December 31, 2012

Balance, December 31, 2012

\$ -

See notes to financial statements

Ohio Homeowner Assistance, LLC

Statement of Cash Flows

Year ended December 31, 2012

Cash flows from operating activities	
Net income	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase (decrease) in liabilities:	
Deferred revenue	21,584,057
Accounts payable	<u>1,770,354</u>
Net cash provided by operating activities	<u>23,354,411</u>
Net increase in cash and cash equivalents	23,354,411
Cash and cash equivalents, beginning of period	<u>24,515,224</u>
Cash and cash equivalents, end of period	<u><u>\$ 47,869,635</u></u>

See notes to financial statements

Ohio Homeowner Assistance, LLC

Notes to Financial Statements

December 31, 2012

Note 1 - Organization and Summary of Significant Accounting Policies

Ohio Homeowner Assistance, LLC (OHA or the Company), was formed as a limited liability company under the laws of the state of Ohio on July 14, 2010 with Ohio Capital Corporation for Housing as its sole member. OHA was formed to (i) serve for the state of Ohio, as an eligible entity, as defined in the United States Department of the Treasury's (Treasury) Housing Finance Agency Participation Agreement (Participation Agreement) for the Hardest Hit Fund (HHF) program with the Ohio Housing Finance Agency (OHFA), (ii) receive funds from Treasury through its designated depository financial institution with respect to the HHF program and (iii) disburse HHF funds in accordance with the direction of OHFA. The HHF program was effective August 3, 2010, the date the Participation Agreement was entered into with Treasury. OHA does not earn any fee or net income when serving as the eligible entity to OHFA for the HHF program as all funds are strictly payable to participants designated by OHFA or to reimburse OHA for any administrative costs incurred in administering the program that have been approved by OHFA.

OHFA was created as a corporate body which has a legal existence separate from the Government of Ohio but which is an instrumentality of Ohio, created to effectuate certain public purposes. Treasury has allocated approximately \$570 million to the state of Ohio to be administered by OHFA with OHA acting primarily as OHFA's fiscal agent through the life of the program which ends on December 31, 2017. The financial statements of OHFA are prepared under separate cover in accordance with accounting principles generally accepted in the United States of America.

Ohio Capital Corporation for Housing (Ohio Capital), a nonprofit corporation, is an affiliated organization that is required to consolidate OHA in its financial statements due to the control it exercises over the entity. Consolidated financial statements of Ohio Capital Corporation for Housing and Subsidiaries and Affiliates are prepared under separate cover in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2012, there are six types of HHF programs administered by OHFA with OHA serving as the eligible entity:

1) Rescue Payment Assistance

This program provides funds to servicers on behalf of homeowners to bring current delinquent mortgage payments, escrow shortages and corporate advances to third parties. The goal is to prevent avoidable foreclosure and stabilize neighborhoods by helping delinquent homeowners who have experienced a qualifying hardship to achieve sustainable homeownership.

Ohio Homeowner Assistance, LLC

Notes to Financial Statements - Continued

December 31, 2012

2) Mortgage Payment Assistance

This program replaced the Partial Mortgage Payment Assistance (PMPA) program. Under this new program, no payments will be required by the homeowner as previously required by the PMPA program. This assistance will be available to eligible unemployed or underemployed homeowners by assisting with their mortgage payments for up to 15 months while they search for a new job and/or participate in job training programs.

3) Lien Elimination Assistance

This program was previously named Mortgage Modification with Principal Reduction and the program provides assistance to homeowners in which the lien holder or lien holders agree to accept up to \$25,000 in return for extinguishing the first lien and attempt to extinguish any second liens on the property.

4) Homeownership Retention Assistance

This program replaced the Short Refinance program and it provides funds to servicers, taxing authorities and associations on behalf of homeowners to extinguish or reinstate a homeowner's subordinate mortgage lien(s) or cover ancillary property-related expenses.

5) Transition Assistance

This program assists homeowners whose current mortgage payment exceeds the affordable monthly payment and/or who must relocate to gain meaningful employment. It requires the lender or servicer to consider short sale or deed-in-lieu options and waive any rights to a deficiency judgment.

6) Modification with Contribution Assistance

This program provides funds to servicers on behalf of homeowners to facilitate a permanent affordable loan modification which must result in a more affordable monthly payment. The goal is to prevent avoidable foreclosure and stabilize neighborhoods by helping homeowners who have experienced a qualifying hardship to achieve more affordable mortgage payments long-term.

Financial assistance provided under the HHF program is non-interest bearing and is forgiven in an equal amount each year for five years, until December 31, 2017, at which time the entire amount is forgiven. Payment is only required in the event there are proceeds from a sale or refinance, which is considered remote, therefore no notes receivable are shown on the balance sheet.

Ohio Homeowner Assistance, LLC

Notes to Financial Statements - Continued

December 31, 2012

As of December 31, 2011 the program maximum given to an eligible homeowner was \$15,000. Beginning January 1, 2012, for all new applicants as well as homeowners who signed a mortgage modification agreement during 2012, the maximum amount of assistance is \$25,000 provided under all programs, with the exception of the Lien Elimination Assistance program. The Lien Elimination Assistance program provides a maximum assistance of \$7,500.

In instances where a homeowner was required to pay more than the maximum amount given to them at closing, the homeowner had the option to pay the balance required. Once the homeowner pays the additional amount required, the title company wires the funds to OHA and OHA is instructed by OHFA to pay the portion due to the servicer for each homeowner. Prior to January 1, 2012, some homeowners contributed a portion of their monthly mortgage payment and these funds are held in the Recycled Funds account. In addition, some homeowners have repaid all or a portion of their assistance and these funds are held in the same Recycled Funds account. Treasury has directed OHFA and OHA to use the Recycled Funds to assist homeowners only after all other program funds have been exhausted. As disclosed in Note 2, these homeowner funds were not included in the capital draws received from the U.S. Government for the programs described above.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

OHA is a single member limited liability company and since it is a disregarded entity for income tax purposes, OHA is included in the tax return of its sole member, Ohio Capital. Ohio Capital is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Ohio Capital is subject to income taxes on revenue generated from other sources unrelated to its exempt purpose; however, Ohio Capital did not have any such revenue during the period. Ohio Capital is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Both Ohio Capital and OHA did not identify any uncertain tax positions that require either recognition or disclosure in the financial statements. Income tax returns filed by Ohio Capital, which includes OHA, are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns

Ohio Homeowner Assistance, LLC

Notes to Financial Statements - Continued

December 31, 2012

are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

Cash and Cash Equivalents

Cash and cash equivalents include a money market account held by OHA. Funds held in the money market account are primarily invested in high-quality short-term instruments having original maturities at their dates of acquisition of three months or less.

Revenue and Expenditures

Revenue and expenditures are identified as those activities that are related to the HHF program. Revenue consists of program receipts utilized to pay for the authorized program administrative expenses and other direct program expenses incurred by OHA and OHFA. The program funds received from Treasury are recorded as deferred revenue and recognized into revenue as payments are disbursed to various participants of the HHF as specified and identified by OHFA. Funds received from Treasury for administrative expense are recorded as deferred revenue when received. Administrative expense reimbursement income is recognized as revenue when the expenses are incurred by OHA and OHFA.

Expenditures consist of OHA's and OHFA's program administrative expenditures and other direct program expenditures. A significant portion of the capital draws received from the Treasury is utilized to fund OHFA's expenditures to provide financial assistance to homeowners to prevent them from entering foreclosure as described in Note 2. These expenditures are disclosed as direct program expenditures on the statement of operations.

During the year ended December 31, 2012, OHA received capital draws in the amount of \$87,000,000 under the HHF program for transferring assets to various recipients described in the programs below and recognized \$70,849,397 as operating revenue on the statement of operations for reimbursement of disbursements designated by OHFA and administered by OHA for the same amount.

During the year ended December 31, 2012, OHA received capital draws for administrative costs including interest income in the amount of \$16,543,165 under the HHF program and recognized \$507,260 and \$10,844,691, respectively, as operating revenue on the statement of operations for reimbursement of expenditures incurred by OHA and OHFA for the same amount. OHFA's administrative costs include payments made to housing counseling agencies that were utilized to identify eligible homeowners.

Ohio Homeowner Assistance, LLC

Notes to Financial Statements - Continued

December 31, 2012

Note 2 - Deferred Revenue

As part of the HHF program and having been designated as an eligible entity by OHFA, OHA primarily receives funds from the U.S. Department of the Treasury and agrees to transfer those assets to various entities on behalf of eligible homeowners for program and administrative expenses as identified and specified by OHFA. As of December 31, 2012, \$46,099,281 is payable to various entities on behalf of homeowners for program and administrative expenses either specified or to be specified by OHFA and is therefore included as deferred revenue on the balance sheet. OHA maintains cash equal to their payable balance plus their net payables and receivables.

During the year ended December 31, 2012, the following activity took place for deferred revenue:

	Deferred revenue balance as of January 1, 2012	Capital draws (Year ended December 31, 2012)	Other funds received held for others	Revenue recognized and disbursements made (Year ended December 31, 2012)	Deferred revenue balance as of December 31, 2012
Rescue Payment Assistance	\$ 11,580,870	\$ 44,000,000	\$ -	\$ (36,405,957)	\$ 19,174,913
Mortgage Payment Assistance	6,876,532	35,000,000	-	(30,648,439)	11,228,093
Lien Elimination Assistance	889,660	4,000,000	-	(3,612,345)	1,277,315
Homeownership Retention Assistance	-	3,000,000	-	-	3,000,000
Transition Assistance Modification with Contribution Assistance	485,000	-	-	(40,000)	445,000
	-	1,000,000	-	(142,655)	857,345
Total program activity	19,832,062	87,000,000	-	(70,849,396)	35,982,666
Recycled funds	3,253,274	-	210,318	-	3,463,592
Homeowner contributions	55,029	-	31,921	-	86,950
Administrative expenses	1,374,859	16,500,000	-	(11,351,951)	6,522,908
Interest earned	-	-	43,165	-	43,165
Total	<u>\$ 24,515,224</u>	<u>\$ 103,500,000</u>	<u>\$ 285,404</u>	<u>\$ (82,201,347)</u>	<u>\$ 46,099,281</u>

Ohio Homeowner Assistance, LLC

Notes to Financial Statements - Continued

December 31, 2012

Note 3 - Cumulative Program Expenditures

The following table summarizes the cumulative activity for the HHF program since its inception through December 31, 2012.

	Capital draws (Inception through December 31, 2012)	Other funds received held for others	Disbursements (Inception through December 31, 2012)	Disbursements payable for accrued expenses, as of December 31, 2012	Cash balance held for program and administrative expenditures as of December 31, 2012
Rescue Payment Assistance	\$ 77,000,000	\$ -	\$ (57,825,087)	\$ -	\$ 19,174,913
Mortgage Payment Assistance	54,000,000	-	(42,771,907)	-	11,228,093
Lien Elimination Assistance	5,500,000	-	(4,222,685)	-	1,277,315
Short Refinance Homeownership	-	-	-	-	-
Retention Assistance	3,000,000	-	-	-	3,000,000
Transition Assistance	500,000	-	(55,000)	-	445,000
Modification with Contribution Assistance	1,000,000	-	(142,655)	-	857,345
Total program Activity	141,000,000	-	(105,017,334)	-	35,982,666
Recycled funds	-	3,463,591	-	-	3,463,591
Homeowner contributions	-	86,950	-	-	86,950
Administrative expenses	28,151,720	-	(21,628,811)	1,770,354	8,293,263
Interest earned	-	43,165	-	-	43,165
Total	\$ 169,151,720	\$ 3,593,706	\$ (126,646,145)	\$ 1,770,354	\$ 47,869,635

Note 4 - Concentration of Credit Risk

OHA maintains its cash and cash equivalents in four accounts in one bank. The Federal Deposit Insurance Corporation (FDIC) has provided full insurance for certain accounts and certain other accounts are covered up to \$250,000. At times, the balances in these accounts exceeded the federal insurance limits; however, OHA has not experienced any losses with respect to its bank balances in excess of government provided insurance. As of December 31, 2012, the Company's cash and cash equivalents balance exceeds the FDIC insurance limit, and the uninsured balance is \$43,444,885, however, all accounts are placed by the bank in pooled collateral accounts. The collateral accounts require that accounts containing public funds be securitized to the full deposit value that exceeds the FDIC insurance.

Ohio Homeowner Assistance, LLC

Notes to Financial Statements - Continued

December 31, 2012

Note 5 - Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of OHA through April 22, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.