

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON FEBRUARY 4 AND 5, 2014

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on February 4 and 5, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMISSIONERS PRESENT:

Kermit E. Hale, Chairman
Timothy M. Chapman, Vice Chairman
William C. Shelton
Manju Ganeriwala
Jacqueline T. Black
Charles McConnell
Douglas R. Fahl
H. Richard Ashe
James Hyland
Sarah Stedfast

COMMISSIONER ABSENT:

Marjorie N. Leon

OTHERS PRESENT:

Susan F. Dewey, Executive Director
J. Judson McKellar, Jr., General Deputy
Donald L. Ritenour, Deputy of Programs
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wiglesworth, Managing Director of Information Technology Services
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Russ E. Wyatt, General Auditor
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
J. Michael Hawkins, Managing Director of Community Outreach
Llewellyn C. Anderson, Director of Executive Services
Patrick Gluesing, Assistant Deputy Director of Programs
Dale Wittie, Director of Rental Housing
Michele G. Watson, Director of Homeownership Programs
Pamela Holmes, Director of Single Family Servicing
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Melody S. Barackman, Controller
Neal Rogers, Director of Compliance and Asset Management
Sharon Fairburn, Housing Choice Voucher Program Director
Ron Reger, Risk Manager
Michele Jackson, Executive Assistant

Bonnie McRae, Senior Executive Assistant
Cindy Puller, Systems Administrator
George Comstock, Organizational Performance and Risk Analyst
Jeffery Quann, Assistant Counsel
Ross Strodel, Internal Audit Manager
Kelley Carter, Mortgage Loan Compliance Officer
Christopher Moran, Mortgage Loan Compliance Officer

Chairman Hale called the meeting of the Committee of the Whole to order at 2:30 p.m. on February 4, 2014. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioners Shelton and Black, who joined the meeting in progress as noted below and thereafter remained present during the meeting.

Chairman Hale welcomed Commissioner McConnell back to the Board, congratulated Commissioners Ganeriwala and Shelton on their reappointment to their positions and their continuing service on the Board, and welcomed Commissioner Steadfast on her appointment to the Board. Commissioner Shelton joined the meeting during Chairman Hale's remarks.

Mr. Ritenour, Mr. Quann, Ms. Watson, Mr. Gluesing and Mr. Strodel presented a report on the Authority's efforts to comply with the recent increase in new regulatory and program requirements impacting the Authority's single family mortgage lending program. During this report, Commissioner Black joined the meeting.

Mr. Ritenour, Mr. Bowen, Ms. Watson and Mr. Hawkins reported on the midyear performance update on the utilization of REACH *Virginia* funds supporting targeted initiatives and estimated usage for the second half of fiscal year 2014. In this report, staff discussed the following: the total amount of REACH *Virginia* funds used to date; the anticipated utilization of REACH *Virginia* funds in the second half of fiscal year 2014 with the possibility of shifting unused REACH *Virginia* funds from homeownership programs to over utilized rental programs; and the geographic distribution throughout Virginia of REACH *Virginia* funds allocated through rental programs.

Ms. Dewey, Mr. Carey, Mr. Ritenour, Mr. Bowen, and Mr. Hawkins presented a report on the Authority's organizational performance through the six month period ending on December 31, 2013. In this report, staff advised the Commissioners as to the continuing adverse impact of homeownership loan losses and loan loss provision on the Authority's earnings; the decline in single family production; improvements in single family servicing; access to capital markets; the Authority's financial strength; homeownership activity; rental activity; and community outreach.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 6:02 p.m. on February 4, 2014.

Chairman Hale called the regular meeting of the Board of Commissioners to order at approximately 10:12 a.m. on February 5, 2014. The Commissioners listed above as

present at the meeting were present at that time and remained present throughout the meeting.

No members of the public were present to request an opportunity to make any comments during the public comment period of the meeting.

The minutes of the regular meeting of the Commissioners held on December 4, 2013 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of Charles L. Krum, Jr." dated February 5, 2014, in the form attached hereto were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Chairman Hale, on behalf of the Committee of the Whole, reported that the Committee had received and considered staff reports on: single family compliance; the utilization of REACH *Virginia* funds; and organizational performance through the six month period ending on December 31, 2013.

Commissioner Fahl, on behalf of the Programs Committee, reported that the Committee had received and considered staff reports on the status of the Authority's homeownership programs, rental housing programs, and outreach activities. Commissioner Fahl also reported that the Committee had reviewed, and had recommended approval of, a resolution to approve and ratify the reservations of the federal low-income housing tax credits from the non-competitive disability pool to three developments; Commerce Village, New Phoenix Village and Patterson Crossing. On motion duly made and seconded, the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated February 5, 2014, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Fahl also reported that the Committee had reviewed, and had recommended approval of, a resolution to authorize a multi-family mortgage loan secured by an unsubordinated leasehold estate. On a motion duly made and seconded, the resolution entitled "Resolution Authorizing a Multi-Family Mortgage Loan to finance Buckingham Village Phase III Parcel B" dated February 5, 2014, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Vice Chairman Chapman, on behalf of the Audit Committee, summarized the reports received and considered by the Committee on the Authority's monthly financials and the year-to-date budget comparisons for the period ended December 31, 2013. In the report, Vice Chairman Chapman noted that for the first half of the year excess net revenue totals \$45.9 million, net interest margin is slightly behind the budget plan by \$3.5 million, programmatic expenses are better than budget by \$11.7 million, and administrative expenses are better than budget by \$3.9 million, and that since last December, net assets increased 3.75%. Vice Chairman Chapman reported that the Committee had received and considered a report on the status of the internal audit schedule, reports and recommendations.

Vice Chairman Chapman, on behalf of the Operations Committee, stated that the Committee had received and considered reports on the salient features of the Authority's proposed Rental Housing Bonds, 2014 Series A, recent activities in Human Resources, Organizational Development and Learning, and Project Management, noting two priority programs in the Project Management portfolio: (i) renovation work at the Authority's offices on South Belvidere Street is in green status with the Authority's first move scheduled for March 21; and (ii) the single family solution suite is in red status because the vendor has not yet developed the suite to handle the Authority's FHA Plus loan product.

Commissioner Shelton reported on recent activities of the Department of Housing and Community Development including the following: the status of distribution of funds under the Virginia Housing Trust Fund; the Governor's interest in continuing efforts to reduce homelessness in Virginia; and his appreciation for the efforts of Authority staff in protecting the interests of the Commonwealth and preserving affordable housing in northern Virginia in conducting a complicated foreclosure of fourteen properties formerly owned by a non-profit organization.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: recent retirements at the Authority; the Board retreat to be held on April 6-8, 2014 in Roanoke; the plan to meet with the Virginia Congressional staff to discuss federal legislative priorities in March; the importance of completing the Statement of Economic Interest form; and her meeting with the new Secretary of Commerce and Trade Maurice Jones. During Ms. Dewey's report, Mr. McKellar gave an update on legislation before the General Assembly and reported on the contents of the Governor's Executive Order Number 2.

There being no further business, the meeting was adjourned at approximately 11:09 a.m.

After the meeting, Chairman Hale and Commissioners Chapman, Ganeriwala, Fahl, Ashe and Stedfast remained for a report on the Affordable Care Act presented by Kerry Smith of Wells Fargo Insurance Services.

Kermit E. Hale, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON FEBRUARY 4, 2014

Pursuant to the call of the Chairman and notice duly given, the meeting of the Executive Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on February 4, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
Timothy M. Chapman
Douglas R. Fahl

COMMITTEE MEMBER ABSENT:

Marjorie N. Leon

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Deputy of Programs
J. Judson McKellar, Jr., General Deputy

Chairman Hale called the meeting of the Committee to order at approximately 1:40 p.m. on February 4, 2014. All of the members of the Committee listed above as present at the meeting were present at that time and remained present throughout the meeting.

The minutes of the meeting of the Committee held on December 4, 2013 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The Commissioners and staff reviewed and discussed the agendas for the meetings of the Committee of the Whole, the Audit Committee, the Operations Committee, the Programs Committee, and the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 2:00 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
HELD ON FEBRUARY 5, 2014

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on February 4, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Douglas R. Fahl, Chairman
Kermit E. Hale
H. Richard Ashe
William C. Shelton
James Hyland

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Deputy of Programs
Arthur N. Bowen, Managing Director of Rental Housing
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Paul M. Brennan, General Counsel
J. Michael Hawkins, Managing Director of Community Housing
Llewellyn C. Anderson, Director of Executive Services
Dale Wittie, Director of Rental Housing
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Patrick Gluesing, Assistant Deputy Director of Programs
John Hastings, Director of Rental Housing
Beth Seward, REACH Team Director
Michelle Jackson, Executive Assistant

The meeting of the Programs Committee was called to order by Chairman Fahl at approximately 9:00 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

On motion duly made and seconded, the minutes of the meeting of the Committee held on December 4, 2013 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Chandler presented a resolution to approve and ratify the reservations of federal low-income housing tax credits for three developments in the non-competitive disability pool known as New Phoenix Village in Newport News; Commerce Village in Harrisonburg; and Patterson Crossing in Hampton. On a motion duly made and seconded, the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated February 5, 2014, in the form attached

hereto was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Wittie presented a resolution to approve a resolution to authorize a multi-family mortgage loan secured by a leasehold estate. On a motion duly made and seconded, the resolution entitled "Resolution Authorizing a Multi-Family Mortgage Loan to finance Buckingham Village Phase III Parcel B" dated February 5, 2014, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Ms. Watson presented a report on new loan reservations for the period July 1, 2013 to December 31, 2013. Ms. Watson noted that the percentage of single-family loan production to both lower income households and minority households had declined over the term of the report.

Ms. Holmes presented reports on the status of delinquencies and foreclosures in the homeownership loan portfolio. Ms. Holmes advised the Committee the single family delinquency for month end December 2013, was 13.3%. Ms. Holmes reported that delinquency rates in the Ginnie Mae portfolio continue to be below Ginnie Mae thresholds.

Mr. Wittie presented a report on multi-family loan production for the period November 20, 2013 to January 28, 2014. In this report, Mr. Wittie advised the Committee that nine developments consisting of 639 units had been approved for mortgage loans in the total principal amount of approximately \$23 million. Mr. Wittie also gave the Committee an updates on the number of applications for multi-family loans submitted to the Authority and the volume of loans providing funds for construction currently being administered by the Authority.

Mr. Bowen presented a report on the status of delinquencies and foreclosures in the multi-family portfolio. Mr. Bowen noted that the drop in percentage of loans delinquent was impacted by the foreclosure sale of the fourteen properties in the RPJ Housing portfolio held on December 17, 2013.

Mr. Bowen presented a report on the status of the disposition of the multi-family developments owned by the Authority. Mr. Bowen noted that two loans were likely heading to foreclosure that could result in two additional multi-family developments owned by the Authority. Lastly, Mr. Bowen updated the Committee on the results of the foreclosure sale of the RPJ Housing portfolio.

Mr. Hawkins presented the consolidated Community Outreach Board Report describing the Authority's activities in homeownership education, the Housing Choice Voucher program marketing and REACH. Mr. Hawkins noted value of Mixed-use/Mixed-income Planning Grant initiative that resulted in an Authority loan for the adaptive re-use of a former school building in Toms Brook into affordable housing units.

There being no further business, the meeting was adjourned at 10:02 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON FEBRUARY 5, 2014

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on February 5, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, VA 23060.

COMMITTEE MEMBERS PRESENT:

Timothy M. Chapman, Acting Chairman
Jacqueline T. Black
Manju Ganeriwala
Charlie McConnell
Sarah Stedfast

COMMITTEE MEMBER ABSENT:

Marjorie N. Leon, Chairman

OTHERS PRESENT:

Barbara Blankenship, Managing Director of Human Resources
Janet Wiglesworth, Managing Director of Information Technology Services
Tammy Neale, Chief Learning Officer
Patrick J. Carey, Managing Director of Finance
Judson McKellar, General Deputy
Melody Barackman, Controller
Russ E. Wyatt, General Auditor
Ron Reger, Risk Manager
Bonnie McRae, Senior Executive Assistant

The meeting of the Audit Committee was called to order by Acting Committee Chairman Chapman at approximately 9:00 a.m. on February 5, 2014. The members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

On motion duly made and seconded, the minutes of the meeting of the Committee held on December 5, 2013 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Barackman reported on the Authority's monthly financials and budget comparison for the period ending December 31, 2013. In her report, Ms. Barackman stated that excess revenues were \$45.9 million, surpassing the budget by \$12.3 million, that programmatic expenses were \$11.7 million better than budget, that administrative expenses were under budget by \$3.9 million, and that net assets totaled \$2.56 billion.

Mr. Wyatt reported on the status of the internal audit schedule, reports and recommendations. In the report, he indicated that there were no adverse reports issued since the last committee meeting and no control concerns that were previously reported to the Audit Committee that have not been successfully addressed by management.

There being no further business, the meeting was adjourned at 9:10 a.m. on February 5, 2014.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON FEBRUARY 5, 2014

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on February 5, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Timothy M. Chapman, Acting Chairman
Jacqueline T. Black
Manju Ganeriwala
Charlie McConnell
Sarah Stedfast

COMMITTEE MEMBER ABSENT:

Marjorie N. Leon, Chairman

OTHERS PRESENT:

Barbara Blankenship, Managing Director of Human Resources
Patrick J. Carey, Managing Director of Finance
J. Judson McKellar, Jr., General Deputy
Janet Wiglesworth, Managing Director of Information Technology Services
Tammy Neale, Chief Learning Officer
Russ E. Wyatt, General Auditor
Melody Barackman, Controller
Bonnie McRae, Senior Executive Assistant

The meeting of the Operations Committee was called to order by Acting Committee Chairman Chapman at approximately 9:15 a.m. on February 5, 2014. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

On motion duly made and seconded, the minutes of the meeting of the Committee held on December 5, 2013 were approved by the affirmative vote of each of the members of the Committee noted above as present.

Mr. Carey presented the salient features for the sale and issuance of an estimated \$35,000,000 of the Authority's tax-exempt Rental Housing Bonds. In his report, Mr. Carey advised the Committee that the bonds are expected to bear fixed interest rates and have a final maturity in 30-35 years, and that the proceeds of the bonds are expected to be used to finance mortgage loans for up to four multi-family developments.

Ms. Blankenship presented an update relating to benefits.

Ms. Neale reported on professional development, employee engagement and organizational development work by the Organizational Development and Learning Division since the December meeting of the Committee. Ms. Neale also noted that there are thirty-one Associates that will be graduating from the Emerging Leaders Program (ELP) at the June board meeting, and that the Leadership Development Program (LDP) will be offered again next year.

Ms. Wiglesworth reported on the status of the active Project Management Office portfolio of programs and projects. In her report, Ms. Wiglesworth discussed with the Committee Members the status of the headquarters renovations and the single family solution suite project.

There being no further business, the meeting was adjourned at 9:42 a.m. on February 5, 2014.