

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE RETREAT AND REGULAR MEETING
OF THE COMMISSIONERS HELD ON APRIL 3-5, 2011

Pursuant to the call of the Chairman and notice duly given, the retreat and regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") was held on April 3-5, 2011 at the Stonewall Jackson Hotel and Conference Center at 24 South Market Street, Staunton, Virginia.

COMMISSIONERS PRESENT:

Charles McConnell, Chairman
Yvonne T. Allmond, Vice Chairman
Gerald W. Hopkins
John P. McCann
William C. Shelton
Manju Ganeriwala
Nancy K. O'Brien
Marjorie N. Leon
Kermit E. Hale
Jacqueline T. Black
Timothy M. Chapman

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Managing Director of Finance and Administration
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
Janet Wiglesworth, Managing Director of Information Technology Services
J. Judson McKellar, Jr., General Counsel
John F. Hastings, Director of Multi-Family Development Programs
Michele G. Watson, Director of Homeownership Programs
Ronald A. Reger, Strategic Business Planner
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Llewellyn C. Anderson, Strategic Business Planner
J. Michael Hawkins, Director of Community Housing
Barry Merchant, Policy Analyst
Patrick J. Carey, Finance Director
Nina B. Nolley, Assistant Director of Multi-Family Servicing
Neal Rogers, Manager of Asset Management
Sharon B. Fairburn, Housing Choice Voucher Director

Toni Ostrowski, Senior Community Housing Officer
Wanda Stevens, Staunton Redevelopment and Housing Authority
Robert Margolis, TM Associates
Orlando Artze, Community Housing Partners Corp.
Vickie Painter, C & F Mortgage Corp.

Chairman McConnell called the meeting to order at 2:02 p.m. on April 3, 2011. All of the Commissioners listed above as present at the meeting were present at that time, except Commissioner Chapman who joined the meeting in progress and Commissioner McCann who was not present at the meeting on April 3, 2011.

Mr. Hasting presented a report on the status of multi-family loan production in which he discussed with the Commissioners the number of units and the types of multi-family developments financed and expected to be financed in fiscal years 2011 and 2012, the current state of the rental housing market, the decrease in the number of pending loan applications, the difficulty of competing with the lower interest rates offered by Fannie Mae and Freddie Mac, the challenges of financing developments not assisted by federal subsidy or federal low-income housing tax credits, and the usage of REACH funding needed for the feasibility of the developments. Mr. Hastings reviewed the recent changes in the Authority's underwriting requirements that had been made because of the Authority's experience with loan delinquencies. During this presentation, Commissioner Chapman joined the meeting.

Mr. Rogers and Ms. Nolley reported on the status of the multi-family loan portfolio. In this report, they discussed with the Commissioners the following matters: the stabilization of the portfolio evidenced by an increase in the over-all occupancy level, an increase in the monthly rents, and a decrease in concessions offered to tenants by the mortgagors; potential risks to the portfolio due to an increase in delinquencies in rent payments by tenants and an increase in operating expenses and deferred maintenance; the current status of loan delinquencies, foreclosures, loan work-outs, and developments acquired by foreclosure; and the actions being taken by the staff to monitor and control portfolio risk.

Ms. Watson reported on the status of single family loan production. In her report, she noted the decrease in the average single family sales price that has resulted in an increase in affordability. Ms. Watson advised the Commissioners that loan production is expected to decrease, consistent with market trends, to approximately \$430-450 million in fiscal year 2011 due to the impact on mortgage loan demand caused by adverse economic conditions, more restrictive underwriting criteria, and increases in the cost of FHA mortgage insurance and that loan production in fiscal year 2012 is expected to be comparable to fiscal year 2011. Ms. Watson informed the Commissioners that in March the Authority successfully converted the single family program to a mortgage purchase program and that the staff had commenced discussions with Fannie Mae for the possible financing of mortgage loans through a new program for state housing finance agencies expected to be announced by Fannie Mae.

Mr. Dolce presented a report on the status of the single family portfolio, including recent trends in delinquencies and foreclosures, the economic factors affecting

delinquencies, the impact of the Authority's loss mitigation efforts, the challenges in successfully completing loss mitigation with the borrowers, the status of the Authority's Borrower Assistance Program, and the status of the single family real estate owned by the Authority as a result of foreclosure. Mr. Dolce noted that the foreclosure rate is expected to remain high in fiscal year 2012, unless employment improves.

Mr. Carey discussed with the Commissioners the sources of capital funding for the single family program, including an explanation of the cost of capital and yield relationships since 2008 and the issues related to funding loans through the Government Sponsored Enterprises. Mr. Carey reviewed the differentiation and viability of loan products through the use of below market interest rates, down payment assistance, preferential pricing with Fannie Mae, and absorption of mortgage loan credit risk. Mr. Carey advised the Commissioners that the Authority expects to raise capital for the single family program through the U.S. Treasury's New Issuance Bond Program until fully utilized in 2011 and thereafter through Ginnie Mae securitization of FHA-insured loans and the sale or securitization of other loans with Fannie Mae under its new program for state housing finance agencies. Mr. Carey noted that the Authority expects to differentiate its loan product by providing down payment assistance and by absorption of credit risk at a lower price than mortgage insurers, and he advised the Commissioners that the Authority intends to seek changes to its enabling legislation that are necessary to enable the Authority to form a mortgage insurance company or fund to provide mortgage insurance on its mortgage loans.

Upon the conclusion of the discussion of Mr. Carey's report at approximately 5:15 p.m. on April 3, 2011, the meeting was recessed.

Chairman McConnell reconvened the meeting of the Commissioners at 8:33 a.m. on April 4, 2011. All of the Commissioners listed above as present at the meeting were present at that time.

Mr. Ritenour, Mr. Bowen, Ms. Watson, Mr. Hastings, and Mr. Hawkins presented reports on the REACH *Virginia* program. In these reports, they discussed with the Commissioners the following matters: the purpose and history of the program; the housing priorities of the program; the subsidy and staff resources provided by the program; the calculation of the annual amount of the subsidy and the assumptions on which the calculation is based; the relationship of net revenues and the amount of subsidy through fiscal year 2012; the rationale for the use of 15% in the calculation; the total amount of subsidy and assisted loans through fiscal year 2011; the housing needs addressed by the program; the types of single family and multi-family loan and grant programs that have been funded; the number of single family loans and multi-family units that have been financed through fiscal year 2010; the geographical distribution of subsidy under the program; the functions of the staff members of the REACH Team to provide outreach, capacity building and resource facilitation; the training and capacity needs addressed by the REACH Team; the areas of concentration for the REACH Team; the efforts of the REACH Team to facilitate the use of resources by developers and communities; the challenges in making future allocations of REACH subsidy funds due to the anticipated decline in the amount of subsidy and due to the pressure and uncertainty at state and federal levels relating to the foreclosure crisis, the state housing

policy initiative, and the need for community based housing for persons with disabilities. The staff then discussed with the Commissioners the allocations of REACH subsidy funds in fiscal year 2011 and the proposed allocations of REACH subsidy funds for fiscal year 2012 and reviewed the programs funded in fiscal year 2011 and proposed to be funded in fiscal year 2012.

Mr. Chandler reviewed the process and schedule for allocation of the federal low-income housing tax credits in 2011. Mr. Chandler advised the Commissioners of the three major issues that were discussed at the forums held by the Authority for proposed changes in 2012 to the Qualified Allocation Plan for the federal low-income housing tax credits. As to the first issue, Mr. Merchant and Mr. Chandler explained the current method for calculation of the amounts of the allocations in the geographic pools using the number of rent burdened households in each geographic area, reviewed the most recent census data on the number of rent burdened households, and discussed with the Commissioners the alternatives of basing the allocation amounts in the geographic pools on the number of all rent burdened households, the number of rent burdened households below 60% of the median income, or the number of households between 30% and 60% of the median income. Following a discussion of these alternatives, it was the consensus of the Commissioners that, as policy guidance and subject to further review after public comment, the staff proceed with the calculation of the allocation amounts in the geographic pools based upon the number of rent burdened households below 60% of the median income. As to the second issue, Mr. Chandler informed the Commissioners that certain localities were unwilling to provide letters of support for developments if their redevelopment and housing authorities were applying for tax credits for developments in those localities. Mr. Chandler advised the Commissioners that, to remedy this issue, the staff recommended that the Qualified Allocation Plan be changed to provide that the pool for local housing authority developments be increased to 15% and that the developments in the pool for local housing authority developments be ineligible for the geographic pools. Following a discussion of this issue, it was the consensus of the Commissioners that, as policy guidance and subject to further review after public comment, the staff proceed with the recommended changes to the Qualified Allocation Plan. As to the third issue, Mr. Chandler advised the Commissioners that current conditions did not warrant the reinstatement of the non-competitive preservation pool in 2012 and that the staff recommended that such pool continue to be suspended in 2012. Following a discussion of this issue, it was the consensus of the Commissioners that, as policy guidance and subject to further review after public comment, the staff proceed with the suspension of the non-competitive pool in 2012 as recommended.

Ms. Fairburn reported on the issues affecting the Authority's administration of the Section 8 Housing Choice Voucher Program, including the adequacy of administrative fees and staffing for the local administrative agencies and the consolidation of local administrative agencies. Ms. Fairburn next reported on the Authority's possible administration of a project-based voucher program, including information on the operation and funding of the program and the issues impacting the implementation of the program. Ms. Fairburn advised the Commissioners that the staff recommended that the Authority not implement the program at this time because of the adverse impact on the other high need, at risk populations on the waiting list, the lack of administrative structure and funding to implement the program, and the risks associated with the annual subsidy

contracts under the program. Following a discussion of these issues, it was the consensus of the Commissioners that, as recommended, the Authority staff not proceed at this time with the project-based voucher program.

Following the discussions of these reports, the Commissioners and staff went on a bus tour of multi-family developments in the Staunton area that have been or are being financed by the Authority.

After the tour, a panel composed of Ms. Painter, Mr. Artze, Mr. Margolis and Ms. Stevens discussed with the Commissioners their participation in the Authority's programs and the challenges facing affordable housing in the Staunton area. Ms. Painter advised the Commissioners that the major problem for many single family loan applicants is the absence of credit and that the credit requirements for obtaining single family loans had become more strict. Ms. Painter reviewed the history of her involvement in the Authority's single family loan programs and discussed the importance of the various programs of the Authority that had enabled low and moderate income households to purchase their homes. Mr. Artze stated that the principal focus of his organization had recently been the preservation of affordable housing and the sustainability of rental housing for the owners and tenants. Mr. Artze reviewed the development activities of his company in Virginia and other states, including its participation in the federal weatherization program, the Neighborhood Stabilization Program and the federal low-income housing tax credit program. Mr. Margolis summarized the number and types of developments that his firm had developed, primarily in rural areas. Mr. Margolis noted the challenges in financing the acquisition and rehabilitation of existing projects, particularly developments with rent restrictions, and discussed the problems in obtaining the required approvals from local governments in a timely manner. He commended the Authority for the promptness, fairness and objectivity of its loan underwriting and allocation of federal low-income housing tax credits and noted the favorable impact on the efficiency and quality of developments from obtaining the Earthcraft certification and meeting minimum property standards. Ms. Stevens reviewed the recent activities of the Staunton Redevelopment and Housing Authority and explained that its focus had been on rental properties but that the Staunton Redevelopment and Housing Authority has recently become involved in the revitalization of distressed areas in Staunton with the assistance of a planning grant from the Authority that provided the funds to hire an architect to develop the revitalization plans for the city. Upon the conclusion of the discussions of these issues by the Commissioners and the members of the panel, the meeting was recessed at 6:05 p.m. on April 4, 2011.

Chairman McConnell reconvened the meeting of the Commissioners at 8:32 a.m. on April 5, 2011. All of the Commissioners listed above as present at the meeting were present at that time.

Ms. Dewey, Ms. Neal and Ms. Blankenship presented a report on the Authority's succession management program. In their report, they discussed with the Commissioners the purpose of the succession management program, the issues in implementing succession management, the past actions of the staff relating to succession management, the data collected through interviews and discussions with staff, the current state of succession management at the Authority, the retirement benefits available to the

Authority's retirees, the demographics of the Authority's employees, and the proposed Retirement Advance Notification Program, including its purpose, benefit and primary condition for participation. Following a discussion of this report, it was the consensus of the Commissioners that the staff proceed with the development of the proposed Retirement Advance Notification Program.

Mr. Bowen reviewed the process for the fiscal year 2012 budget and reported on the following budget drivers for fiscal year 2012: the Authority's net interest margin; single family and multi-family loan losses; associates costs; technology projects, including Enterprise Resource Planning (ERP) and other current and potential projects; and targeted expenditures for marketing, including planned marketing efforts for fiscal year 2012. Mr. Bowen indicated that ERP implementation is proceeding well, with the only major variation being the decision to retain outsourced payroll processing rather than converting to an in-house process using the ERP payroll application.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: the Board and Committee meetings on June 7 and 8, 2011 and August 2 and 3, 2011; the NCSHA Annual Conference in San Diego on October 1-4, 2011; the Governor's Housing Conference in Hampton on November 16-18, 2011; the status of the Governor's Housing Policy; and the future meetings of the Virginia Foreclosure Task Force. Mr. McKellar reported on the status of legislation in the 2011 Session of the General Assembly affecting the Authority and reviewed the issues in the bills assigned to the Virginia Foreclosure Task Force. Upon the conclusion of these reports, the meeting was recessed at 10:35 p.m. on April 5, 2011.

Chairman McConnell reconvened the meeting of the Commissioners at 12:07 p.m. on April 5, 2011. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Hopkins who joined the meeting in progress as noted below and thereafter remained present during the meeting.

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

The minutes of the meeting of the Committee of the Whole and the regular meeting of the Commissioners held on December 7 and 8, 2010 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

On motion duly made and seconded, the resolutions entitled "Resolution in Recognition and Appreciation of the 45th Anniversary of Telamon Corporation," "Resolution in Recognition and Appreciation of the 40th Anniversary of the Suffolk Redevelopment and Housing Authority," and "Resolution in Recognition and Appreciation of the 20th Anniversary of HAND," all dated April 5, 2010, were approved in the forms attached hereto by the affirmative vote of each of the Commissioners then present at the meeting.

The resolution entitled "Resolution in Recognition and Appreciation of Thirty Years of Service by Toni M. Ostrowski" dated April 5, 2011, was read by Mr. Reger and,

on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners then present at the meeting. At this point, Commissioner Hopkins joined the meeting.

Chairman McConnell briefly reviewed the issues that had been discussed in the staff reports previously presented at the meeting.

Commissioner O'Brien, on behalf of the Programs Committee, reported that the Committee had received and discussed proposed amendments to the Authority's Rules and Regulations- General Provisions of Programs of the Virginia Housing Development Authority that would conform the regulations to the legislation enacted in the 2011 Session of the General Assembly relating to the purchase of mortgage loans. Commissioner O'Brien next reported that the Committee had received and discussed, and recommended approval of, a resolution to approve the Authority's five year and annual plans for the Housing Choice Voucher Program. Commissioner O'Brien reported that the Committee had discussed the three major issues for proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits, had requested the staff to consider the effect of job growth in the amounts of the allocations in the geographic pools, and had received and discussed a staff report on the impact of recent changes in the Qualified Allocation Plan on the allocation of tax credits to developments. Commissioner O'Brien reported that the Committee had discussed the staff report on proposed REACH allocations for fiscal year 2012 and requested the staff to provide updates on any proposals or recommendations in the Governor's Housing Policy relating to housing for persons with disabilities that may affect the use of REACH funds. Commissioner O'Brien summarized the staff reports that had been received and considered by the Committee on the following matters: the single family and multi-family loan delinquencies and foreclosures; the status of leasing in the Housing Choice Voucher Program; the delinquencies in the Authority's Ginnie Mae portfolio; the number of calls received by the Authority's Contact Center; the single family loan production; the status of the homeownership education courses, homebuyer clubs and self-sufficiency classes; the multi-family loan production; the status of the Authority's outreach efforts; and the Authority's recent marketing activities. Commissioner Shelton reported on current activities in the Department of Housing and Community Development, including an update on the funding and administration of the homelessness program and enterprise zones, recent revisions to the statewide building code, and ongoing cooperative efforts with the Authority on the federal Neighborhood Stabilization Program, the federal weatherization program, and the Section 8 Performance Based Contract Administration. Following this report, on motion duly made, the resolution entitled "Resolution Approving the PHA Five-Year and Annual Plans for the Virginia Housing Development Authority for the Housing Choice Voucher Program" dated April 5, 2011, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Hale, on behalf of the Audit Committee, summarized the reports received and considered by the Committee on the Authority's monthly financials and budget comparisons for the period ended February 28, 2011 and the report of the Internal Auditor on the status of the internal audit schedule and the internal audit reports and recommendations. Commissioner Hale also reported that the members of the Committee

had certified as to their independence and had been approved by Chairman McConnell for membership on the Committee and that the Committee had discussed, and recommended approval of, the charter for the Audit Committee. On motion duly made, the VHDA Audit Committee Charter in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Hale, on behalf of the Operations Committee, reported that the Committee had received and discussed, and recommended approval of, bond limitations resolutions for the Authority's Rental Housing Bonds and Commonwealth Mortgage Bonds that (i) provide for issuance of Rental Housing Bonds and Commonwealth Mortgage Bonds in aggregate amounts not to exceed \$400 million and \$1 billion, respectively, (ii) provide for the sale of the Rental Housing Bonds and Commonwealth Mortgage Bonds not later than May 31, 2012 and (iii) authorize the distribution of one or more preliminary and final official statements for the Rental Housing Bonds in substantially the form thereof presented at the meeting and for the Commonwealth Mortgage Bonds in substantially the form thereof presented at the meeting. On motion duly made, the resolutions entitled "Bond Limitations Resolution" both dated April 5, 2011, in the forms attached hereto were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Hale summarized the following staff reports that had been received and considered by the Committee: a report on the salient features of the Authority's proposed Rental Housing Bonds, 2011 Series B-Non-AMT; an update by Ms. Blankenship on merit increase trends; a report by Ms. Neal on recent activities sponsored by the Organizational, Development and Learning Division; and a report by Ms. Wiglesworth on the status of ITS program projects.

Mr. McKellar advised the Commissioners that the decision of the Fourth Circuit upholding the dismissal of the litigation relating to The Views at Clarendon had not been appealed to the U.S. Supreme Court.

There being no further business, the meeting was adjourned at approximately 12:45 p.m. on April 5, 2011.

Charles McConnell, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
HELD ON APRIL 5, 2011

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 April 5, 2011 at the Stonewall Jackson Hotel and Conference Center, 24 South Market Street, Staunton, Virginia.

COMMITTEE MEMBERS PRESENT:

Nancy K. O'Brien, Chairman
Charles McConnell
William C. Shelton
Jacqueline T. Black
Timothy Chapman
Gerald W. Hopkins

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
J. Judson McKellar, Jr., General Counsel
Michele G. Watson, Director of Homeownership Programs
John F. Hastings, Director of Multi-Family Development Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
J. Michael Hawkins, Director of Community Housing
Llewellyn Anderson, Strategic Business Planner
Barry Merchant, Senior Policy Analyst
Toni Ostrowski, Senior Community Housing Officer

The meeting of the Programs Committee was called to order by Chairman O'Brien at approximately 11:00 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 8, 2010 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. McKellar presented proposed amendments to the Authority's regulations that will conform its regulations to the legislation enacted in the 2011 Session of the General Assembly relating to the conversion of the Authority's single family mortgage loan program to a mortgage purchase program. Mr. McKellar reported that final regulations will be presented at the June Board meeting for approval following public notice and hearing.

Mr. Dolce presented a resolution to approve the five-year and annual plans of the Housing Choice Voucher Program administered by the Authority. Mr. Dolce reported that the public hearing on the plans was held on March 10, 2011, that no comments were received, and that no changes had been made to the existing plans. Commissioner Hopkins moved that the Committee recommend approval of the resolution entitled “Resolution Approving the PHA Five-Year and Annual Plans for the Virginia Housing Development Authority for the Housing Choice Voucher Program” dated April 5, 2011. This motion was seconded by Commissioner Black and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Chandler reported that staff held forums in January and March to receive information regarding proposed changes in 2012 to the Qualified Allocation Plan for the federal low-income housing tax credits and that one additional forum will be held in mid-summer. There then ensued a discussion of the three major issues for proposed changes to the Qualified Allocation Plan, and upon the conclusion of this discussion Commissioner O’Brien requested the staff to consider the effect of job growth on the amounts of the allocations in the geographic pools. Mr. Chandler reported that the changes made in 2011 to the Qualified Allocation Plan regarding points for developments with less than 100 units and changing the calculation of the size of the geographic credit pools had no significant impact on the allocations of tax credits to the multi-family developments.

Mr. Ritenour reviewed the proposed FY2012 REACH allocations. Following a discussion of the proposed allocations, Chairman O’Brien requested that the staff provide updates on any proposals or recommendations in the Governor’s Housing Policy relating to housing for persons with disabilities that may affect the use of REACH funds.

Mr. Dolce presented reports on the status of delinquencies and foreclosures in the homeownership and multi-family loan portfolios. Mr. Dolce advised the Committee that as of February the overall delinquency rates, including foreclosures and bankruptcies, for the single-family and multi-family loan portfolios had decreased to 12.41% and 2.07%, respectively. Mr. Dolce reported that the lease-up rate in the Housing Choice Voucher Program was 97%. Mr. Dolce reported that delinquency ratios continue to be below Ginnie Mae thresholds and that the total unpaid principal balance of the Ginnie Mae portfolio is \$310 million representing 2,317 loans. Mr. Dolce reported that the number of phone calls received by the Authority’s Contact Center had increased to 4,146 and that the majority of the contacts came from Richmond followed by Northern Virginia and Hampton Roads.

Ms. Watson reported that reservations for FY2011 are down approximately 30% from the same time last year. Ms. Watson also noted that the Authority is currently on tract to reserve approximately \$460 million for an estimated 3,200 loans in FY2011, that 76% of production is to households with incomes below 80% of the area median income, and that 38% of production is to minorities.

Ms. Watson presented a report on the Homeownership Education Program noting that attendance continues to decline. Ms. Watson also reported that the Authority

continues to provide Homebuyer Clubs and Family Self-Sufficiency classes for potential borrowers.

Mr. Hastings presented a report on multi-family loan production for the period November 30, 2010 to March 29, 2011. In this report, Mr. Hastings advised the Committee that 21 developments consisting of 1,091 units had been approved for mortgage loans in the total principal amount of approximately \$58 million. Mr. Hastings also noted that 86% of the developments were supported with REACH funding.

Mr. Hastings presented a report on the status of the disposition of the multi-family developments owned by the Authority. Mr. Hastings reported that the portfolio currently consists of twelve developments that are not sold or under contract and that only one new acquisition had occurred since January.

Mr. Hawkins presented reports on the Authority's outreach to the African American and Hispanic markets between February 2011 and March 2011. In this report, Mr. Hawkins stated that there continues to be strong interaction with faith-based organizations, particularly in the Hampton Roads region. In addition, Mr. Hawkins reported that interaction continues to be strong with the Northern Virginia chapter of the National Association of Hispanic Real Estate Professionals to promote both education and financing.

Mr. Hill presented an update on the Authority's marketing activities. In this report, Mr. Hill noted that changes were being made to VirginiaHousingPolicy.com and VirginiaForeclosureInfo.com websites.

There being no further business, the meeting was adjourned at 11:58 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON APRIL 5, 2011

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 April 5, 2011 at the Stonewall Jackson Hotel and Conference Center, 24 South Market Street, Staunton, Virginia 24401.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
John P. McCann
Manju Ganeriwala
Marjorie N. Leon
Yvonne T. Allmond

OTHERS PRESENT:

Arthur N. Bowen, III, Managing Director of Finance & Administration
Russ E. Wyatt, General Auditor
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Janet Wigglesworth, Managing Director of Information Technology Services
Ron Reger, Strategic Business Planner

The meeting of the Audit Committee was called to order by Committee Chairman Hale at approximately 11:00 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 8, 2010 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Bowen reviewed highlights of the Authority's monthly financials and budget comparisons for the period ending February 28, 2011. In this report, Mr. Bowen noted the following: excess revenues before GASB adjustments totaled \$11 million; mortgage loan interest income was behind plan by \$2 million; administrative expenses are over budget for 2nd straight month due to a catch-up of technology project costs but year-to-date expenses remain better than budget by a total of \$2.4 million; and programmatic expenses are better than budget for February by \$560,000 partly due to additional income from tax credit programs, loan pay-offs, and late fees, but year-to-date programmatic expenses are over budget by \$4.9 million.

Mr. Wyatt reported on the status of the Audit Schedule, that there were no adverse reports since the last Committee meeting and that the Audit Division is on track to complete the 5-year schedule as planned. Mr. Wyatt also reported that there were no control concerns that were previously reported to the Audit Committee that have not been addressed by management. He also reported that all commissioners selected to serve on the Audit Committee have certified as to their independence and have been approved by the Chairman of the Board.

The Audit Committee reviewed revisions to the Audit Division Charter and passed the Audit Committee Charter with revisions to remove the quorum requirement from its charter, and moved approval by the full Board.

There being no further business, the meeting was adjourned at 11:25 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON APRIL 5, 2011

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 April 5, 2011 at the Stonewall Jackson Hotel and Conference Center, 24 South Market Street, Staunton, Virginia 24401.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
John P. McCann
Manju Ganeriwala
Marjorie N. Leon
Yvonne T. Allmond

OTHERS PRESENT:

Arthur N. Bowen, III, Managing Director of Finance & Administration
Russ E. Wyatt, General Auditor
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Janet Wiglesworth, Managing Director of Information Technology Services
Ron Reger, Strategic Business Planner

The meeting of the Operations Committee was called to order by Committee Chairman Hale at approximately 11:25 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 8, 2010 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Bowen reported that the authority under the current Bond Limitations Resolution for the Authority's issuance of the multi-family Rental Housing Bonds will expire May 31, 2011. The proposed Bond Limitations Resolution will provide for the sale and issuance of the Authority's multi-family Rental Housing Bonds through May 2012. Mr. Bowen stated that this Resolution (i) sets forth the limitations on the Rental Housing Bonds which are to be issued in a maximum principal amount of \$400 million and (ii) authorizes the use and distribution of the form of official statement for such Bonds. Commissioner Ganeriwala moved that the Committee recommend approval of the Bond Limitations Resolution for the sale and issuance of the Authority's multi-family Rental Housing Bonds. This motion was seconded by Commissioner McCann and was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Bowen reported that the Authority expects to issue Homeownership Mortgage Bonds under the U.S. Treasury's New Issuance Bond Program during the remainder of this calendar year. He stated that the New Issuance Bond Program is scheduled to expire on December 31, 2011, and that the Authority may fully utilize such program prior to that date. Mr. Bowen stated that upon expiration or full utilization of such Program, the Authority will need the authority to issue its single family bonds under the general bond resolution for the Commonwealth Mortgage Bonds. Mr. Bowen stated that the proposed Bond Limitations Resolution will provide for the sale and issuance of the Authority's single family Commonwealth Mortgage Bonds through May 2012. Mr. Bowen stated that this Resolution (i) sets forth the limitations on the Commonwealth Mortgage Bonds which are to be issued in a maximum principal amount of \$1.0 billion and (ii) authorizes the use and distribution of the form of official statement for such Bonds. Commissioner Ganeriwala moved that the Committee recommend approval of the Bond Limitations Resolution for the sale and issuance of the Authority's single family Commonwealth Mortgage Bonds. This motion was seconded by Commissioner Allmond and was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Bowen reviewed the salient features of an upcoming Rental Housing Bond issue of up to \$50 million to be sold in June or July. Mr. Bowen also commented that the final size and timing of the issue will depend upon the readiness of the projects being financed. He stated that the bonds will be tax-exempt and will therefore use private activity bond allocation. He also stated that the bonds are expected to be rated Aa1/AA+ by Moody's and Standard & Poor's, respectively. Mr. Bowen stated that they will be sold on a negotiated basis.

Ms. Blankenship reported that staff will present merit trends as part of the June budget discussion.

Ms. Neale reviewed professional development and associate activities.

Ms. Wiglesworth provided an update on the progress of projects or programs managed by the Authority's Project Management Office.

There being no further business, the meeting was adjourned at 11:55 a.m.