

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE ANNUAL MEETING OF THE COMMISSIONERS
HELD ON AUGUST 5 AND 6, 2014

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the annual meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on August 5 and 6, 2014 at the Authority's offices 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
Charles McConnell
Douglas R. Fahl
James Hyland
Sarah Stedfast
Lemella Y. Carrington

COMMISSIONERS ABSENT:

H. Richard Ashe
Marjorie N. Leon

OTHERS PRESENT:

Susan F. Dewey, Executive Director
J. Judson McKellar, Jr., General Deputy
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wiglesworth, Managing Director of Homeownership
J. Michael Hawkins, Managing Director of Community Outreach
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Llewellyn C. Anderson, Managing Director of Executive Services
Patrick Gluesing, Managing Director of Information Technology Services/Chief
Innovation Officer
Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management
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
Fred Bryant, Deputy General Counsel

Ron Reger, Risk Manager
Sharon Fairburn, Housing Choice Voucher Program Director
Brooke Scott, Program Liaison
Cindy Puller, Senior Systems Administrator
Marco Howard, Desktop Support Analyst
Bennett Atwill, Lending Group Manager
Richard Taylor, Government Affairs Liason
Buddy Fountain, REO Manager
Russ Wyatt, Former General Auditor

Chairman Hale called the meeting of the Committee of the Whole to order at 3:39 p.m. on August 5, 2014.

Chairman Hale welcomed Commissioner Carrington to the Board and Ms. Camus as the new Managing Director of Internal Audit and Enterprise Risk Management.

Mr. Bowen reported on a proposed change to the process for informing the Commissioners of dispositions of Authority owned rental properties that would be similar to the process currently used for providing information to the Commissioners on new rental loans. The consensus of the Committee was for staff to provide more data on the disposition process at the October meeting.

Ms. Dewey, Mr. Carey, Ms. Wigglesworth, Mr. Bowen, Mr. Hawkins and Ms. Anderson presented a report on the Authority's organizational performance for fiscal year 2014 in which they reviewed the Authority's capital market activity, financial strength, loan losses and loan loss provision expenses, homeownership loan production, homeownership loan delinquency rates, rental loan production, loan terminations in the rental portfolio, mixed-use mixed-income loan production, rental loan delinquency rates, homeownership education attendance, Housing Choice Voucher Program funding and administration, and allocation and utilization of REACH funds.

Mr. Wittie and Mr. Atwill presented a report on the Authority's rental construction loan program in which they discussed with the Commissioners the following: the fiscal year 2014 construction loan production; the special features of the Authority's construction/permanent financing product; the funding sources for construction loans; the terms of the construction/permanent loan products and the permanent forward product; the advantages of the program for the Authority and borrowers; and management of risk in the program.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 6:06 p.m. on August 5, 2014.

Chairman Hale called the annual meeting of the Board of Commissioners to order at approximately 10:45 a.m. on August 6, 2014. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Ms. Dewey reported that the Committee at its June meeting had recommended the nomination of Commissioner Hale for Chairman and Commissioner Chapman for Vice Chairman. Chairman Hale then relinquished the chair to Ms. Dewey for the purpose of electing the Chairman of the Board. Ms. Dewey declared the floor open for nominations for Chairman. Commissioner Fahl nominated Commissioner Hale, and Commissioner Shelton seconded the nomination. There being no further nominations, the floor was closed. Commissioner Hale was elected Chairman by the affirmative vote of each of the Commissioners noted above as present at the meeting. Chairman Hale then assumed the chair and declared the floor open for nominations for Vice Chairman. Commissioner Fahl nominated Commissioner Chapman, and Commissioner Stedfast seconded the nomination. There being no further nominations, the floor was closed. Commissioner Chapman was elected Vice Chairman by the affirmative vote of each of the Commissioners noted above as present at 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 Committee of the Whole and the regular meeting of the Commissioners held on June 3 and 4, 2014 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of Jacqueline T. Black," dated August 6, 2014, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The resolution entitled "Resolution in Recognition and Appreciation of Thirty Years of Service by Millard "Buddy" C. Fountain" dated August 6, 2014, 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 noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of the Thirtieth Anniversary of the Virginia Coalition to End Homelessness," dated August 6, 2014, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution Establishing Meeting Dates of the Board of Commissioners from January 1, 2015 through June 30, 2015" dated August 6, 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 Hale, on behalf of the Executive Committee, reported that the Committee had discussed the compensation of the Executive Director that was to be considered later in the meeting, that the staff provided to the Committee an overview of the discussion that was held in the Programs Committee regarding the contact between staff and the principals of three developments that did not receive an allocation of 2014

low-income housing tax credits, and that the committee had reviewed the agendas for the meetings of the Committees and the Board.

Commissioner Chapman, on behalf of the Audit Committee and the Operations Committee, distributed a summary of each meeting to the Commissioners for their information.

Commissioner Fahl, on behalf of the Programs Committee, reported that the Committee had received and discussed (i) a staff report on providing additional federal low-income housing tax credits to the Quill Apartments and the Committee authorized the staff to proceed with a reservation of \$58,511 for Quill Apartments; and (ii) a staff report on the proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2015 and the Committee authorized the staff to proceed with soliciting public comment on the proposed changes. Commissioner Fahl 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. On motion duly made and seconded, the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated August 6, 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 reported that the Committee had received and discussed staff updates on (i) the Authority's application to participate in HUD's Multi-Family Risk Share Program and (ii) the Authority's plan to convert tax-exempt bonding authority into mortgage credit certificates. Commissioner Fahl also reported that the Committee had received and discussed a staff report on the certification for the Section 8 Management Assessment Program, referred to as SEMAP, relating to the Housing Choice Voucher Program and recommended approval of a resolution to approve the SEMAP certification and its execution by the Chairman and Executive Director. On motion duly made and seconded, the resolution entitled "Resolution Approving Housing Choice Voucher Section 8 Management Assessment Program Certification" dated August 6, 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 Shelton reported on recent activities of the Department of Housing and Community Development, including the following: the Department's efforts to reduce veteran homelessness in Virginia; the Department's administration of the weatherization program; and the Governor's Housing Conference to be held on October 29-31, 2014.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: the renovation of the headquarters; the sponsorship by the Authority of the 2014 Outstanding Youth Award and the recognition of the winner during the Governor's Housing Conference Awards Luncheon; the securitization by the Authority of more than \$1 billion of single family loans through Ginnie Mae since the program started in May, 2009; the distribution in August of a staff survey seeking input from the Commissioners on the content and format of Board meetings and the honoring by the Authority of Don Ritenour's and Michele Watson's

40th anniversary by making a contribution towards the renovation of the Home Builders Association of Virginia's office in the historic Stewart-Lee House in June.

On motion duly made and seconded, a resolution that the Committee convene in closed session to discuss and consider the performance and compensation of Ms. Dewey in accordance with Section 2.2-3711.A.1 of the Code of Virginia and further that Ms. Blankenship and Mr. Brennan, who are deemed necessary to be present or will reasonably aid the Board of Commissioners in its consideration of the aforesaid topics, be present during the closed session was approved by the affirmative vote of the Commissioners noted above as present at the meeting. At the conclusion of the closed meeting, the Commissioners reconvened in an open meeting. Each Commissioner certified, by roll call vote, that to the best of his or her knowledge, only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the Commissioners. On motion duly made and seconded, a motion to approve the recommendation of the Executive Committee for the compensation of the Executive Director was approved by the affirmative vote of the Commissioners noted above as present at the meeting.

There being no further business, the meeting was adjourned at approximately 12:02 p.m. on August 6, 2014.

Kermit E. Hale, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON AUGUST 5, 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 August 5, 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
Paul M. Brennan, General Counsel
Barbara Blankenship, Managing Director of Human Resources
Arthur N. Bowen, Managing Director of Rental Housing
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Patrick J. Carey, Managing Director of Finance

Chairman Hale called the meeting of the Committee to order at approximately 1:10 p.m. on August 5, 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 June 3, 2014 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The members of the Committee reviewed information provided by Ms. Blankenship on the Executive Director's performance for fiscal year 2014. The members of the Committee discussed her performance and decided on the compensation that the Committee would recommend to the Board of Commissioners. Mr. Carey joined the meeting briefly to participate in the discussion and then left the meeting.

Ms. Dewey, Mr. Brennan, Mr. Bowen, and Mr. Chandler joined the meeting, and Ms. Blankenship left 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.

Mr. Bowen and Mr. Chandler updated the Committee on discussions between staff and the principals of three developments that did not receive an allocation of 2014 low-income housing tax credits.

There being no further business, the meeting was adjourned at approximately 2:33 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
HELD ON AUGUST 6, 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 August 6, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBER ABSENT:

H. Richard Ashe

OTHER COMMISSIONERS PRESENT

Timothy M. Chapman
Manju Ganeriwala
Charles McConnell
Sarah Stedfast
Lemella Y. Carrington

OTHERS PRESENT:

Susan F. Dewey, Executive Director
J. Judson McKellar, Jr., General Deputy
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wiglesworth, Managing Director of Homeownership
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
J. Michael Hawkins, Managing Director of Community Outreach
Patrick Gluesing, Managing Director of Information Technology Services/
Chief Innovation Officer
Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Michele G. Watson, Director of Homeownership Programs
Pamela Holmes, Director of Single Family Servicing
Toni Ostrowski, Assistant Director of Homeownership Programs
Janice Burgess, Loan Programs Manager
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Melody S. Barackman, Controller
Fred Bryant, Deputy General Counsel
Ron Reger, Risk Manager

Sharon Fairburn, Housing Choice Voucher Program Director
Richard Taylor, Government Affairs Liaison
Tom Johnston, Franklin Johnston Group
Steve Cooper, Franklin Johnston Group

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 June 4, 2014 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

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

Mr. Bowen and Mr. Chandler provided an update on discussions between staff and the principals of three developments that did not receive an allocation of 2014 low-income housing tax credits and the staff's recommendation on a proposed change to the low-income housing tax credit reservation for the Quill Apartments. The consensus of the Committee was for staff to proceed with a \$58,511 reservation of credits for Quill Apartments in the amount recommend by staff.

Mr. Chandler reported on proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2015 that include: revising criteria and points for revitalization areas; revising points for serving the lowest incomes, proximity to light rail and subsidized funding; adding point categories for the use of tax-exempt bonds and for serving persons with intellectual or developmental disabilities; eliminating points beginning in 2016 for zoning by making proper zoning mandatory; and adjusting developer limits for certain types of developments. Mr. Chandler noted the comment period on the proposed changes would end on the day of the public hearing scheduled for September 18, 2014. The consensus of the Committee was for staff to proceed with soliciting public comment on the proposed changes with and an additional change to the per unit cost limits to not include certain costs attributable to providing units with dehumidification equipment.

Mr. Chandler presented a resolution to approve and ratify reservations of the federal low-income housing tax credits. Commissioner Fahl moved to recommend approval of the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated August 6, 2014. This motion was seconded and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Bowen provided an update on the Authority's application to participate in HUD's Multi-Family Risk Share Program.

Ms. Watson and Ms. Burgess provided an update on the Authority's plan to convert unused tax-exempt bond allocation into mortgage credit certificates and anticipate having proposed regulations ready for consideration by the Board of Commissioners at its October meeting.

Mr. Hawkins reported on the annual Section 8 Management Assessment Program Certification ("SEMAP Certification") for the Section 8 Housing Choice Voucher Program for 2014. Mr. Hawkins stated the Authority is certifying to HUD as a standard performer and presented a resolution to approve and authorize the execution of the SEMAP Certification. Commissioner Fahl moved that the Committee recommend approval of the resolution entitled "Resolution Approving Housing Choice Voucher Section 8 Management Assessment Program Certification" dated August 6, 2014. This motion was seconded and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

There being no further business, the meeting was adjourned at 10:30 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON AUGUST 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 August 5, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, VA 23060.

COMMITTEE MEMBERS PRESENT:

Timothy M. Chapman
Manju Ganeriwala
Charles McConnell
Sarah Stedfast

COMMITTEE MEMBER ABSENT:

Marjorie N. Leon, Chairman

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Patrick J. Carey, Managing Director of Finance
J. Judson McKellar, Jr., General Deputy and Legal Advisor
Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management
Melody Barackman, Controller
Russ E. Wyatt, Former General Auditor
Ron Reger, Risk Manager
Bonnie McRae, Senior Executive Assistant
Donna Craver, KPMG
Rasheeda Perry, KPMG

The meeting of the Audit Committee was called to order at approximately 2:55 p.m. by Commissioner Chapman on August 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 June 3, 2014 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Dewey introduced Julie Camus, the newly hired Managing Director of Internal Audit and Enterprise Risk Management.

Ms. Dewey introduced members of the KPMG audit team, who presented an update on the status of their audit and of the Authority's financial statements for fiscal year 2014.

Ms. Barackman reported on the Authority's monthly financials and budget comparison for the fiscal year 2014 ending June 30, 2014. In her report, Ms. Barackman stated that excess revenues were \$115.5 million, surpassing the budget by \$44 million mostly due to reduced loan losses and expenses, that administrative expenses totaled \$51 million, and that net assets totaled \$2.6 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 3:07 p.m. on August 5, 2014.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON AUGUST 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 August 5, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Timothy M. Chapman
Manju Ganeriwala
Charles McConnell
Sarah Stedfast

COMMITTEE MEMBER ABSENT:

Marjorie N. Leon, Chairman

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Barbara Blankenship, Managing Director of Human Resources
Patrick J. Carey, Managing Director of Finance
J. Judson McKellar, Jr., General Deputy and Legal Advisor
Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management
Patrick Gluesing, Managing Director of Information Technology Services/Chief Innovation Officer
Tammy Neale, Chief Learning Officer
Melody Barackman, Controller
Bonnie McRae, Senior Executive Assistant

The meeting of the Operations Committee was called to order by Commissioner Chapman at approximately 3:10 p.m. on August 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 June 3, 2014 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Carey reported on the proposed changes in the Fannie Mae risk sharing arrangement for financing and securitizing single family mortgage loans, reviewed the alternative terms offer by Fannie Mae, and Mr. Carey stated that the staff recommended that the Authority proceed with the proposed terms for the Authority to be subject to full recourse on the mortgage loans for their initial 5 years (currently one year) at a guarantee fee of .60% (currently 1%) to Fannie Mae and with a collateral requirement of 1.10% (currently .50%) of the amount subject to recourse. It

was the consensus of the members of the Committee that the staff proceed with negotiating and contracting with Fannie Mae on the proposed terms as recommended by the staff.

Ms. Blankenship presented an update relating to Human Resources, including the status of the performance review process and the potential impact of the Affordable Care Act.

Ms. Neale reported on the status of professional development, employee engagement and organizational development activities by the Organizational Development and Learning Division since the June meeting of the Committee. Ms. Neale stated that twenty- nine Associates graduated from the first Emerging Leaders Program in June. She also noted that the third Leadership Development Program will be offered later this year.

Mr. Gluesing was introduced as the newly hired Managing Director of Information Technology Services and Chief Innovation Officer. Mr. Gluesing noted the status of the Project Management Office portfolio of programs and projects.

There being no further business, the meeting was adjourned at approximately 3:30 p.m. on August 5, 2014.