

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON DECEMBER 6 AND 7, 2011

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 December 6 and 7, 2011 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Charles McConnell, Chairman
Yvonne T. Allmond, Vice Chairman
Gerald W. Hopkins
Nancy K. O'Brien
Kermit E. Hale
William C. Shelton
Timothy M. Chapman
Marjorie N. Leon
Jacqueline T. Black
Charles L. Krum, Jr.

COMMISSIONER ABSENT:

Manju Ganeriwala

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
Janet Wiglesworth, Managing Director of Information Technology Services
Russ E. Wyatt, General Auditor
Tammy Neale, Chief Learning Officer
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
Dale Wittie, Senior Tax Credit Allocation Officer
Paul M. Brennan, Deputy General Counsel
Melody S. Barackman, Controller
J. Michael Hawkins, Director of Community Housing
Sharon B. Fairburn, Housing Choice Voucher Director
Michael Stoneman, Multi-Family Owned Property Portfolio Manager
Llewellyn C. Anderson, Strategic Planner
Ronald A. Reger, Strategic Planner

Scott Heiry, Business Intelligence Manager
Barry Merchant, Policy Analyst
J.D. Bondurant, Research Analyst
Shelia Phillips, Assistant Director of Project Management
Patrick O'Brien, Intern
Steven Brown, Intern
Bob Newman, Better Housing Coalition
Bob Margolis, TM Associates
William Park, Pinnacle Construction
Philip Agee, EarthCraft

Chairman McConnell called the meeting of the Committee of the Whole to order at 3:04 p.m. on December 6, 2011. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Hopkins who later left the meeting as noted below and except Commissioners Black and Shelton who joined the meeting in progress as noted below and thereafter remained present during the meeting.

The panel composed of Mr. Agee, Mr. Newman, Mr. Park and Mr. Margolis, presented reports to the Commissioners on the costs and benefits of the energy savings improvements for which points are awarded under the Authority's Qualified Allocation Plan for federal low-income housing tax credits. In these reports, the panel members discussed with the Commissioners (i) the requirements, benefits and costs for EarthCraft certification and (ii) the construction costs and the savings on utilities and other benefits resulting from the energy savings improvements on specific projects that received allocations of federal low-income housing tax credits. Following these reports, Commissioner Black joined the meeting.

Ms. Dewey discussed with the Commissioners the recommended practices adopted on December 5, 2011 by the National Council of Housing Finance Agencies that state housing finance agencies include in their qualified allocation plans per unit cost limits and a requirement for sponsor certification of project sources and uses of funds. During this discussion, Commissioner Hopkins left the meeting. Ms. Dewey presented a proposed resolution for the Authority to develop, consistent with the recommended practice, a per unit cost limit standard with stakeholder input to be effective in calendar year 2013 and to implement the recommended practice for the sponsor certification of project sources and uses of funds in calendar year 2012. The Commissioners and Ms. Dewey discussed the purpose and intent of the recommended practices and the impact that the recommended practices would have on the allocation of the federal low-income housing tax credits to various types of developments and in the geographical areas of the state. Ms. Dewey also advised the Commissioners that, as a temporary measure during calendar year 2012, any developments whose costs exceed 115% of the HUD Section 221(d)(3) loan limits will be subject to closer scrutiny by the Authority.

Ms. Wiglesworth reported on the portal that had been developed by the staff to provide the Commissioners with online access to Board meeting materials and other documentation and information. During this report, Commissioner Shelton joined the

meeting. Following this report, the meeting of the Committee of the Whole was recessed at approximately 5:40 p.m. on December 6, 2011.

The Committee of the Whole was reconvened at 10:46 a.m. on December 7, 2011. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Black who was not present at the meeting of the Committee on December 7, 2011.

Mr. McKellar presented a report on the roles and responsibilities of the Commissioners and the provisions of the Guiding Principles for the Conduct of the Members of the VHDA Board of Commissioners.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 11:20 a.m. on December 7, 2011.

Chairman McConnell called the regular meeting of the Board of Commissioners to order at approximately 11:21 a.m. on December 7, 2011. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Black 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 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 October 11 and 12, 2011 were approved 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 Phyllis M. Dawson" dated December 7, 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.

The resolution entitled "Resolution in Recognition and Appreciation of Thirty Years of Service by George R. Peterson" dated December 7, 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.

On motion duly made and seconded, the resolution entitled "Resolution Establishing Meeting Dates of the Board of Commissioners from July 1, 2012 through December 31, 2012" dated December 7, 2011, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Chairman McConnell, on behalf of the Committee of the Whole, summarized the presentations to the Committee by the panel on the costs and benefits of energy savings improvements for which points are awarded under the Authority's Qualified Allocation Plan, and he reviewed the staff reports received and discussed by the Committee on the recommended practices adopted on December 5, 2011 by the National Council of

Housing Finance Agencies, the Board portal, and the roles and responsibilities of the Commissioners.

Commissioner O'Brien, on behalf of the Programs Committee, reported that the Committee discussed and recommended approval of the resolution entitled "Resolution Implementing Recommended Practices for Developments Utilizing Federal Low-Income Housing Tax Credits" dated December 7, 2011 in the form attached hereto. On motion duly made, this resolution was approved by the affirmative vote of each of the Commissioners then as present at the meeting. Commissioner O'Brien summarized the staff reports that had been received and considered by the Committee on the status of the following matters: the delinquencies in the Authority's homeownership and multi-family loan programs; the leasing rate and funding of the Housing Choice Voucher Program; the delinquencies in the Authority's Ginnie Mae portfolio; the volume of calls to the Authority's contact center; the Authority's single family loan production; the enrollment in the Authority's homeownership education courses and homebuyer clubs; the funding of housing counselors; the Emergency Homeownership Loan Program; the Authority's multi-family loan production; the disposition of multi-family developments owned by the Authority; the Authority's emerging markets outreach efforts; and the Authority's marketing activities. During this report, Commissioner Black joined 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 October 31, 2011, the status of the internal audit schedule, reports and recommendations, and the status of the request for proposals for accounting firms to perform the annual audit of the Authority's financial statements.

Commissioner Hale, on behalf of the Operations Committee, summarized the staff reports that had been received and considered by the Committee on the salient features of the Authority's proposed Rental Housing Bonds, 2011 Series E-Taxable and 2012 Series A-Non-AMT. Commissioner Hale reported that the Committee had received and discussed, and recommended approval of, a bond limitations resolution for the Authority's Rental Housing Bonds that (i) provides for issuance of Rental Housing Bonds in aggregate amounts not to exceed \$400 million, (ii) provides for the sale of the Rental Housing Bonds not later than May 31, 2013 and (iii) authorizes 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. On motion duly made, the resolution entitled "Bond Limitations Resolution" dated December 7, 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 reported that the staff had selected Cigna to provide the employee health and life insurance policies and summarized the staff reports received by the Committee on recent activities sponsored by the Organizational, Development and Learning Division and on the status of the programs and projects of the Project Management Office. Ms. Neale introduced Mr. O'Brien and Mr. Brown, the Authority's recently hired Interns, to the Commissioners.

Commissioner Shelton presented his report, on behalf of the Department of Housing and Community Development, of recent events and activities, including the Governor's Housing Conference held on November 16-18, 2011 in Hampton, the

reduction in federal HOME funding for fiscal year 2012, the status of funding for housing counselors, and the actions being taken to achieve the Governor's goal of a 15% reduction in homelessness.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: the celebration activities for the Authority's 40th anniversary in 2012; the advisory and work group meetings scheduled for the Governor's Housing Policy Initiative; the Authority's proposed legislation to authorize the use of the Authority's allocation of private activity bonds for mortgage credit certificates and to authorize the Authority to indemnify third parties; the Board and Committee meetings on February 7 and 8, 2012; and the Board retreat at the Berry Hill Resort and Conference Center in South Boston on March 25-27, 2012.

There being no further business, the meeting was adjourned at approximately 12:20 p.m.

Charles McConnell, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
HELD ON DECEMBER 7, 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 December 7, 2011 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia 23220.

COMMITTEE MEMBERS PRESENT:

Nancy K. O'Brien, Chairman
Charles McConnell
William C. Shelton
Timothy M. Chapman
Gerald W. Hopkins

COMMITTEE MEMBERS ABSENT:

Jacqueline T. Black

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
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
Thomas A. Dolce, Managing Director of Servicing and Compliance
Dale Wittie, Senior Tax Credit Allocation Officer
Paul Brennan, Deputy General Counsel
Ron Reger, Strategic Business Planner
Mike Stoneman, Multi-Family Owned Property Portfolio Manager
Robert Halloran, Marketing Director
Sharon Fairburn, Housing Choice Voucher Program Manager
Llewellyn Anderson, Strategic Business Planner

The meeting of the Programs Committee was called to order by Chairman O'Brien at approximately 9:03 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 October 12, 2011 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 comments during the public comment period of the meeting.

Chairman O'Brien reviewed the recommended practices adopted on December 5, 2011 by the National Council of Housing Finance Agencies that state housing finance agencies include in their qualified allocation plans per unit cost limits and a requirement for sponsor certification of project sources and uses of funds. Chairman O'Brien noted that, as a temporary measure during calendar year 2012, any developments whose costs exceed 115% of the HUD Section 221(d)(3) loan limits will be subject to closer scrutiny by the Authority. Following a discussion by the Commissioners of these matters, Commissioner Shelton moved that the Committee recommend approval of the resolution entitled "Resolution Implementing Recommended Practices for Developments Utilizing Federal Low-Income Housing Tax Credits" dated December 7, 2011, in the form presented at the meeting, as amended to include the words "the intent and purpose of" in the fourth WHERAS clause following the word "support." This motion was seconded by Commissioner Chapman and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Dewey reported that the Authority is reviewing its programs to better support the Governor's Housing Policy initiative on homelessness. Commissioner Shelton requested that the staff of the Department of Housing and Community Development be included in discussions of the programs that are supported with HOME funds because of its administration of these 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 since the last report to the Committee the overall delinquency rate for the single-family loan portfolio had increased to 12.86% as of October 31, 2011 and that the overall delinquency rate for the multi-family loan portfolio had decreased to 1.22% as of October 31, 2011.

Ms. Fairburn provided an update on the Housing Choice Voucher Program noting that the program is 94.2% leased as of December 1, 2011. Ms. Fairburn also reported that the federal government had reduced administrative fees by 14.71% for calendar year 2011 and 2012 combined and that a 6.71% reduction in administrative fees for calendar year 2012 is planned. Ms. Fairburn commented that the program will not need additional financial support from the Authority for the current fiscal year but that the Authority will need to increase financial support to the program in the next fiscal year.

Mr. Dolce reported that the delinquency rates for the single family loans in the Ginnie Mae portfolio continue to be below Ginnie Mae thresholds and that the total principal balance of the Ginnie Mae portfolio is \$368 million representing 2,806 loans. Mr. Dolce reported that the number of phone calls received by the Authority's Contact Center for October and November was 3,860 and that the majority of the contacts came from Richmond followed by Northern Virginia and Hampton Roads.

Ms. Watson reported that reservations in the single family loan program for the period July 1, 2011 to November 28, 2011 were lower by \$30 million and 125 loans from the same time last year. Ms. Watson also noted that the average loan amount was \$150,533 compared to \$157,448 for the same period last year.

Ms. Watson presented a report on the Homeownership Education Program noting that 384 people had attended 54 classes and that an estimated 1,030 had taken the class online. Ms. Watson also reported that 1,428 homeowners were screened for eligibility under the Emergency Homeowners Loan Program and that 15 have been approved by the U.S. Department of Housing and Urban Development.

Mr. Hastings presented a report on multi-family loan production for the period October 4, 2011 and November 29, 2011. In this report, Mr. Hastings advised the Committee that nine multi-family developments consisting of 801 units had been approved for mortgage loans in the total principal amount of approximately \$44.3 million. Mr. Hastings also noted that 89% of the developments were supported with REACH funding.

Mr. Stoneman presented a report on the status of the disposition of the multi-family developments owned by the Authority. Mr. Stoneman reported that the portfolio consisted of 14 developments that were not sold or under contract and one new acquisition through foreclosure had occurred since the last report.

Mr. Hawkins distributed the winter 2011 REACH Report and presented reports on the Authority's outreach to the African American and Hispanic markets between October 2011 and November 2011. Mr. Hawkins also reported that staff was assisting Habitat Virginia with capacity building efforts for a new Habitat affiliate to serve rural housing needs in Surry and Sussex Counties. Mr. Hawkins provided an update on the Virginia Housing Search initiative noting that the number of landlord participants had increased by 38% since November 2010, the number of registered units had increased by 42% since November 2010, and the number of searches during November 2011 had increased 22% over November 2010.

Mr. Hill and Mr. Halloran presented reports on the Authority's marketing activities. In this report, Mr. Hill and Mr. Halloran noted that the Authority had launched the Top Producing Loan Officer Campaign ads to congratulate loan officers in their local newspapers. Mr. Halloran also reported that the Authority was continuing its support of a multi-faceted advertising campaign in an attempt to increase the occupancy rate at The Independence, which is an independent living facility owned by VHDA.

There being no further business, the meeting was adjourned at 10:45 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON DECEMBER 7, 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 December 7, 2011 at the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia 23220.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
Marjorie N. Leon
Charles L. Krum, Jr.
Yvonne T. Allmond

COMMITTEE MEMBERS ABSENT:

Manju Ganeriwala

OTHERS PRESENT:

Arthur N. Bowen, III, Managing Director of Finance & Administration
Russ E. Wyatt, General Auditor
Melody Barackman, Controller
Maria Barrow, Office Manager

The meeting of the Audit Committee was called to order by Committee Chairman Hale at approximately 9:04 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 October 12, 2011 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Ms. Barackman reviewed highlights of the Authority's monthly financials and budget comparisons for the period ending October 31, 2011. She reported that excess revenue before GASB adjustments for the month was \$10 million, or \$1.2 million ahead of plan and that year-to-date earnings total \$24.2 million (or \$3.4 million behind plan). She also reported that after four months, mortgage loan interest income continues to be behind budget and last year and that pay-downs and pay-offs outpace new loan production slightly. Ms. Barackman also reported that investment income has surpassed plan and last year by \$1.7 million to date. She also reported that with lower than planned bond costs, net interest margin remains ahead of plan by \$2.5 million. She reported that programmatic expenses to date exceed budget by over \$7 million. Loan losses and expenses exceed plan by \$5.9 million and that operating costs of MF owned properties and HCV program also exceed budget at this time. She reported that administrative expenses are better than budget in all administrative categories by a total of \$1.1 million. She reported that total assets increased since June to \$9.8 billion and net assets increased by \$29 million, resulting in excess capital of \$2.35 billion or 24% of total assets.

Mr. Wyatt reported on the status of the Audit Schedule and reports issued since the last Committee meeting. He indicated that no adverse audit reports have been issued since the last Committee meeting and there are no control concerns that were previously reported to the Audit Committee that have not been successfully addressed by management. Mr. Wyatt also reported that he has filled the position left vacant as a result of a resignation in August and that the Audit Division currently remains on track to complete the 5-year schedule as planned.

Mr. Wyatt and Ms. Barackman reported on the process of the RFP for the external auditors.

There being no further business, the meeting was adjourned at 9:23 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON DECEMBER 7, 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 December 7, 2011 at the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia 23220.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
Marjorie N. Leon
Charles L. Krum, Jr.
Yvonne T. Allmond

COMMITTEE MEMBERS ABSENT:

Manju Ganeriwala

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
Shelia Phillips, Assistant Director of Project Management
Melody Barackman, Controller
Maria Barrow, Office Manager

The meeting of the Operations Committee was called to order by Committee Chairman Hale at approximately 9:30 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 a motion duly made and seconded, the minutes of the meeting of the Committee held on October 12, 2011 were approved as amended by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Bowen presented the Salient Features of a proposed \$159.4 million taxable Rental Housing Bonds transaction as well as the Salient Features of a proposed \$50 million tax-exempt Rental Housing Bonds transaction. He also mentioned that VHDA had recently undertaken a taxable Rental Housing Bond refinancing transaction similar to the one described in the first Salient Features memorandum.

Mr. Bowen then presented a Bond Limitations Resolution for the Rental Housing Bonds Resolution, authorizing the issuance of up to \$400 million in Rental Housing Bonds through May 31, 2013. On a motion duly made and seconded, the Committee recommended approval by the Board of the resolution entitled "Bond Limitations

Resolution" by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Blankenship reported that VHDA completed the 2012 benefit selections.

Ms. Neale reviewed professional development and associate activities since the October meeting.

Ms. Phillips provided a high-level update on the current Project Management Office (PMO) Portfolio. She also provided an update on the Single Family Solution Suite Program and on the Office 2010/Windows 7 deployment.

There being no further business, the meeting was adjourned at 10:00 a.m.