

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON DECEMBER 2, 2015

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 2, 2015 at the Authority's offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMISSIONERS PRESENT:

Timothy M. Chapman, Chairman
Sarah B. Stedfast, Vice Chairman
Kermit E. Hale
William C. Shelton
Manju Ganeriwala
Marjorie N. Leon
Charles McConnell
Douglas R. Fahl
H. Richard Ashe
Lemella Y. Carrington

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wigglesworth, 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
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
Toni Ostrowski, Director, Homeownership and Lending Programs
Pamela Holmes, Director of Single Family Servicing
Michele G. Watson, Director, Homeownership Strategic Relationships
Dale Wittie, Director of Rental Housing
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Melody S. Barackman, Controller
Barry Merchant, Senior Policy Analyst
Sandy Edwards, Office Manager
J. Judson McKellar, Jr., Contractor
Melissa Camp, Default Report Specialist
Yolanda Dickerson, Reservations & Special Programs Assistant
Sarah Jones-Anderson, Program Support Analyst
Jazlyn Green, Program Support Trainee

Shea Johnson, Mortgage Payment Specialist
Shelly Mallory, Multifamily Servicing Specialist
Paul Prousalis, Senior Desktop Support Analyst
Steve Lawson, The Lawson Companies
Carl Hardee, The Lawson Companies
Angela Kellam, Executive Director, Samaritan House
A. Lee Weisiger, Managing Director, Titan Group

Chairman Chapman called the meeting of the Committee of the Whole to order at 10:01 a.m. on December 2, 2015. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Ashe who left the meeting as indicated below.

Ms. Dewey introduced to the Commissioners Ms. Camp, Ms. Dickerson, Ms. Jones-Anderson, Ms. Green, Ms. Johnson, Ms. Mallory, and Mr. Prousalis who are participating in the Authority's Emerging Leaders Program.

Mr. Bowen and Mr. Chandler presented a report on the six developments that applied for federal low-income housing tax credits from the Non-Competitive Disability Pool and the impact any reservation of tax credits to the applicants would have on the amount of tax credits pre-allocated from the 2016 tax credit program. Mr. Bowen and Mr. Chandler recommended that the staff proceed with reservations of tax credits for three developments, Carlton Views I, Seaside Harbor Apartments and Cypress Landing, and discussed with the members of the Committee the reservation of tax credits for an additional development, New Clay House. During the ensuing public comment period of the meeting, Ms. Kellam and Mr. Lawson spoke in favor of the reservation of tax credits for Seaside Harbor Apartments. Upon conclusion of the public comments and on motion duly made and seconded, a resolution to recommend to the Board that the staff proceed with reservations of tax credits for the three developments recommended by the staff, Carlton Views I, Seaside Harbor Apartments and Cypress Landing, and for New Clay House was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting. Commissioner Ashe left the meeting upon the conclusion of this discussion.

Ms. Wigelsworth and Ms. Ostrowski presented a report on the results of the pilot down payment assistance grant program and discussed with the Commissioners two alternatives for proceeding with the program. On motion duly made and seconded, a resolution to recommend to the Board that the staff proceed with a down payment assistance program that provides 3% grant funds to households earning no more than 80% of the Authority's current income limits was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Carey made a presentation on the financial condition and operations of the Authority, including its excess revenues and net assets, ratings, sources of capital, and principal financial risks.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 11:58 a.m. on December 2, 2015.

Chairman Chapman called the regular meeting of the Board of Commissioners to order at approximately 12:07 p.m. on December 2, 2015. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Ashe, who was not present at the meeting, and Commissioner Ganeriwala, who left the meeting as indicated below.

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 October 7, 2015 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 Removal and Appointment of Assistant Secretary” dated December 2, 2015, in the form attached hereto was 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 Establishing Meeting Dates of the Board of Commissioners from July 1, 2016 through December 31, 2016” dated December 2, 2015, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Commissioner Chapman, on behalf of the Executive Committee, reported that the Committee had reviewed (i) the agendas for the meetings of the Committees and the Board; and (ii) the compensation recommendation of the consulting firm, the Titan Group, which would be discussed by the Board later in the meeting.

Commissioner Stedfast, on behalf of the Finance and Audit Committee, reported that the Committee had received and discussed (i) the Authority’s monthly financials and budget comparisons for the period ending October 31, 2015, including, excess revenues of \$53.1 million after four months exceeding budget by \$10.4 million, programmatic expenses better than budget by \$10 million, and net assets increasing to \$2.87 billion; (ii) the salient features of the Authority’s proposed Rental Housing Bonds, 2016 Series A-Non-AMT estimated to be \$30 million; (iii) the salient features of the Authority’s proposed Rental Housing Bonds, 2016 Series B-Taxable estimated to be \$50,000,000; (iv) the completed and current internal audit and review activities; (iv) an update on the Authority’s enterprise risk management activities; and (v) the strategic overview of the enterprise risk and compliance program.

Commissioner Hale, on behalf of the Operations Committee, reported that the Committee had received and discussed staff reports on (i) a plan to increase awareness of the mortgage credit certificate program; and (ii) the status of the Authority’s new single family loan origination system, including internal challenges remaining to achieve full implementation. Commissioner Hale also reported that the Committee had received and discussed staff reports from (a) Homeownership - (i) loan production for the fiscal year through October was 2,071 homeownership loans totaling \$384 million compared to 1,282 homeownership loans totaling \$213 million for the same period last fiscal year; (ii) the

homeownership servicing portfolio has grown to over 58,000 loans with an outstanding loan balance exceeding \$5 billion; and (iii) homeownership loan performance is now performing at a level equal to October 2009; (b) Rental – (i) loan production for the fiscal year stands at \$139 million for 1,778 units through the end of October, on pace with the projected estimates for the fiscal year; (ii) the overall rental housing loan portfolio includes 1,153 loans totaling \$3.22 billion; (iii) portfolio delinquencies remain very low at 0.35% on a dollar basis and 0.52% on a loan count basis; (iv) the Authority is currently underwriting four different loans that are part of HUD’s Rental Assistance Demonstration program; and (v) the Authority received approval to participate in a lending program with the Federal Financing Bank; (c) Community Outreach - (i) training provided by the Authority for Habitat for Humanity affiliates covering Authority programs and services; and (ii) the most recent Community Outreach Report that focuses on housing opportunities for people with disabilities; (d) Human Resources - the Authority selected CIGNA Health Insurance pursuant to its most recent request for proposals for a health care provider; and (e) the Project Management Office – (i) that the eighteen project portfolio was performing well, except one human resource project which was experiencing vendor delays in implementation, and (ii) the final bid for renovation costs for security enhancements to the Authority’s office on Belvidere Street was approximately \$18,000 more than projected for a total of \$476,601 and construction is scheduled to be complete by the end of April.

Chairman Chapman, on behalf of the Committee of the Whole, reported that the Committee had received and discussed a staff report on the developments that applied for federal low-income housing tax credits from the Non-Competitive Disability Pool and the impact any reservation of credits to the applicants would have on the amount of credits pre-allocated from the 2016 tax credit program and that the Committee recommended to the Board that the staff proceed with reservations of tax credits for four applications, the three developments recommended by the staff, Carlton Views I, Seaside Harbor Apartments and Cypress Landing, and an additional development, New Cay House. On motion duly made and seconded, a resolution to authorize the staff to proceed with the reservations of tax credits in accordance with the recommendation of the Committee was approved by the affirmative vote of each of the Commissioners then present at the meeting. Chairman Chapman next reported that the Committee had received and discussed a staff report on the results of the down payment assistance pilot grant program and that the Committee recommended to the Board that the staff proceed with the down payment assistance grant program that provides 3% grant funds to households earning no more than 80% of the Authority’s current income limits. On motion duly made and seconded, a resolution to authorize the staff to proceed with the down payment assistance grant program in accordance with the recommendation of the Committee was approved by the affirmative vote of each of the Commissioners then present at the meeting. Chairman Chapman also reported that the Committee had received a report on the financial condition and operations of the Authority.

Commissioner Shelton reported on recent activities of the Department of Housing and Community Development, including the following: (i) the successful completion of the Governor’s Housing Conference, which was well attended with 805 registrants; (ii) the Governor’s announcement on Veteran’s Day that Virginia has been certified as the first state in the nation to functionally end veteran homelessness; and (iii) the process of

adopting a new building code which will start at the next meeting of the Department's Board on January 25, 2016.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: (i) the next meeting of the Housing Policy Advisory Council on January 5, 2016; (ii) the next meeting of the Board on February 2, 2016; (iii) the Board retreat on April 10-12, 2016 in Charlottesville; (iv) recent recognition and awards given to the Authority, Authority staff, and Commissioner Shelton; (v) the completion of the Homeownership and Community Outreach portion of the Stakeholder Engagement Series in mid-November; (vi) the Authority's high performer rating from HUD regarding the Authority's Section 8 Management Assessment Program certification; (vii) the requirement for the Commissioners to complete their conflict of interest statements by December 15, 2015; and (viii) the Executive Director's performance objectives included in their Board materials. Mr. Hawkins then described structural changes to the Community Outreach Division designed to accommodate the increase in the grant making activity of the Authority.

On motion duly made and seconded, a resolution that the Board of Commissioners 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 Mr. Weisiger and Mr. Brennan, who are deemed necessary to be present or will reasonably aid the Board of Commissioners in its consideration of the aforesaid topic, be present during the closed session was approved by the affirmative vote of the Commissioners then present at the meeting. Commissioner Ganeriwala left the meeting during this discussion. 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 a motion duly made and seconded, a motion to direct the Titan Group to structure a deferred compensation plan for the Executive Director to incentivize the Executive Director to remain at the Authority for the term of the plan, into which the Authority will obligate itself or fund \$125,000 a year for eight years, with details on issues such as vesting, distributions, acceleration provisions and taxes to be worked out by the Chairman and Vice Chairman in consultation with the Titan Group with input from the Executive Director, was approved by the affirmative vote of each of Commissioners then present at the meeting.

There being no further business, the meeting was adjourned at approximately 3:05 p.m. on December 2, 2015.

Timothy M. Chapman, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON DECEMBER 2, 2015

Pursuant to the call of the Committee 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 December 2, 2015 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

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

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, General Counsel
Patrick Carey, Managing Director of Finance
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
A. Lee Weisiger, Managing Director, Titan Group

Chairman Chapman called the meeting of the Committee to order at approximately 5:00 p.m. on December 2, 2015. 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 October 6, 2015 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

The Commissioners and staff reviewed and discussed the agendas for the meetings of the Finance and Audit Committee, the Operations Committee, the Committee of the Whole and the Board of Commissioners. During the review of the agenda for the Committee of the Whole, Mr. Bowen and Mr. Chandler reported that the applications for low-income housing tax credits from the Non-competitive Disability Pool exceed the amount of tax credits in the pool and also reported on the amount of tax credits pre-allocated from the 2016 tax credit program. After this discussion, Ms. Dewey and Mr. Bowen left the meeting and Mr. Weisiger joined the meeting.

Mr. Weisiger, presented a CEO Competitive Compensation Analysis prepared by the Titan Group. The members of the Committee reviewed information provided by Mr. Weisiger and discussed compensation alternatives to recommend to the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 7:05 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE FINANCE AND AUDIT COMMITTEE
HELD ON DECEMBER 2, 2015

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Finance and Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on December 2, 2015 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, VA 23060.

COMMITTEE MEMBERS PRESENT:

Sarah B. Stedfast, Chairman
Manju Ganeriwala
Marjorie N. Leon
Charles McConnell

OTHERS PRESENT:

Patrick J. Carey, Managing Director of Finance
Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management
Melody Barackman, Controller
Ron Reger, Enterprise Risk Manager
Bonnie McRae, Senior Executive Assistant
J. Judson McKellar, Jr., Contractor

The meeting of the Finance and Audit Committee was called to order by Committee Chairman Stedfast at approximately 9:00 a.m. on December 2, 2015. The members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting, except that Commissioner Ganeriwala joined the meeting in progress as noted below and thereafter remained present during the meeting.

On motion duly made and seconded, the minutes of the meeting of the Finance and Audit Committee held on October 7, 2015 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Ms. Barackman reported on the Authority's monthly financials ending October 31, 2015. In her report, Ms. Barackman noted the following: excess revenues were \$53.1 million and over budget by \$10.4 million; net interest margin was \$80.6 million and was \$1.5 million under budget; programmatic expenses were better than budget by \$10 million primarily due to lower loan losses, timing of ancillary fee income, and lower grant disbursements; administrative expenses were better than budget by \$1.6 million; total assets were \$7.9 billion; and net assets had increased to \$2.87 billion.

Mr. Carey presented the salient features for the sale and issuance of two Rental Housing Bonds. He first reviewed a tax exempt issue of Rental Housing Bonds in an estimated \$30,000,000 principal amount that is expected to bear fixed interest rates, have a final maturity in 30-35 years, and finance mortgage loans for up to three multi-family developments. He next reviewed a taxable issue of Rental Housing Bonds in an estimated

\$50,000,000 principal amount, that is expected to bear fixed interest rates, have a final maturity in approximately 30 years, and redeem and refund a like amount of outstanding bonds and/or be used to finance mortgage loans for up to three multi-family developments.

Ms. Camus reported on activities in the Audit and Enterprise Risk Management Division. In this report, Ms. Camus reviewed staffing changes in the Audit and Risk Management Division. She advised the Committee that the Authority has issued a solicitation for external auditors since the current KPMG contract expires after fiscal year 2016. Ms. Camus stated that the Authority had issued a solicitation for third party audit firms to conduct reviews and assess risks in the Authority's network of external partners and to provide consultation to those partners for the improvement of their processes and controls. Ms. Camus indicated that the Authority is working with the Department of Housing and Community Development to coordinate monitoring activities. Ms. Camus also updated the committee on current and planned audit projects. During this report, Commissioner Ganeriwala joined the meeting.

Mr. Reger presented an update on enterprise risk management activities, including the focus on high priority risks. Mr. Reger informed the Committee that the Audit and Enterprise Risk Management Division will be focusing on reputational, financial, data, compliance, strategic and operational risks in the Authority's grant programs.

Ms. Camus reported on the current and future state of the Authority's enterprise compliance program strategy.

There being no further business, the meeting was adjourned at 9:53 a.m. on December 2, 2015.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON DECEMBER 2, 2015

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 2, 2015 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale
Timothy M. Chapman
William C. Shelton
H. Richard Ashe
Lemella Y. Carrington

COMMITTEE MEMBERS ABSENT:

Douglas R. Fahl

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wigglesworth, Managing Director of Homeownership (by phone)
J. Michael Hawkins, Managing Director of Community Outreach
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Paul M. Brennan, General Counsel
Llewellyn C. Anderson, Managing Director of Executive Services
Patrick Gluesing, Managing Director of Information Technology Services/Chief Innovation Officer
Toni Ostrowski, Director, Homeownership and Lending Programs (by phone)
Pamela Holmes, Director of Single Family Servicing
Dale Wittie, Director of Rental Housing
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Barry Merchant, Senior Policy Analyst
Fred Bryant, Deputy General Counsel
Jason Thompson, Organizational Health Reporting and Risk Analyst
David Reid, Risk and Controls Internal Consultant
J.D. Bondurant, Assistant Director of Low Income Housing Tax Credit Programs
Zachary Mayo, Research and Policy Analyst
Janice Burgess, Loans Programs Manager

The meeting of the Operations Committee was called to order by Commissioner Hale at approximately 9:01 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 Operations Committee held on October 7, 2015 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Ms. Wigelsworth and Ms. Burgess presented a report on the status of the Mortgage Credit Certificate program presenting (i) a plan for a marketing campaign to raise awareness of the program and (ii) additional training for lenders participating in the program.

Ms. Wigelsworth presented an update on the new single family loan origination system: (i) all correspondent lenders are now live on the system and the system has been well received by the lenders; (ii) certain features of the system still need to be fixed, but these issues are internal to the Authority and do not affect the correspondent lenders; and (iii) retail lending should be able to produce the TRID disclosure in the system by mid-December, which is currently produced on a separate system.

Ms. Wigelsworth reported to the Committee on the operations of the Homeownership Division. Ms. Wigelsworth reported that (i) homeownership loan production for fiscal year 2016 through the end of October was 2,071 homeownership loans totaling \$384 million compared to 1,282 homeownership loans totaling \$213 million for the same period last fiscal year; (ii) the Homeownership Servicing portfolio has grown to over 58,000 loans with an outstanding loan balance exceeding \$5 billion; and (iii) homeownership loan performance is now performing at a level equal to October 2009 with over 89% of the loans in a current status.

Mr. Bowen reported to the Committee on the operations of the Rental Division. Mr. Bowen reported that (i) rental housing loan production picked up in September and October and stands at \$139 million for 1,778 units for fiscal year 2016 through the end of October, which is on pace with estimates for fiscal year 2016; (ii) the overall rental housing loan portfolio includes 1,153 loans totaling \$3.22 billion; (iii) portfolio delinquencies remain very low at 0.35% on a dollar basis and 0.52% on a loan count basis; and (iv) the Authority is currently underwriting four different loans that are part of HUD's Rental Assistance Demonstration (RAD) program, with other transactions in the pipeline.

Mr. Hawkins reported to the Committee on the operations of the Community Outreach Division. Mr. Hawkins reported on (i) the Division's a one-day training for Habitat for Humanity affiliates on November 10th covering VHDA programs and services from several business areas supporting Habitat for Humanity that was well attended by local affiliates from throughout Virginia; and (ii) the most recent Community Outreach Report that focuses on housing opportunities for people with disabilities.

Mr. Wittie reported that the Authority received approval to participate in a lending program with the Federal Financing Bank that will provide access to lower cost of capital, enabling the Authority to provide competitive interest rates for multi-family loans when combined with the HUD Risk-Share program.

Administrative updates were provided by Ms. Blankenship, Mr. Gluesing and Ms. Neale. Ms. Blankenship reported that the Authority selected CIGNA Health Insurance

pursuant to its most recent request for proposals for a health care provider and that the Authority provided a high deductible health care plan and health care savings account for the first time in preparation for future requirements of the Affordable Care Act. Mr. Gluesing reported that the eighteen projects under the Project Management Office were in performing well, except one human resource project which was experiencing vendor delays in implementation. Ms. Neale reported that the final bid for renovation costs for security enhancements to the Authority's office on Belvidere Street was approximately \$18,000 more than projected totalling \$476,601 and construction is scheduled to be complete by the end of April.

There being no further business, the meeting was adjourned at 9:48 a.m.