

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON FEBRUARY 7 AND 8, 2012

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on February 7 and 8, 2012 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
Jacqueline T. Black
Charles L. Krum, Jr.

COMMISSIONERS ABSENT:

Manju Ganeriwala
Marjorie N. Leon

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
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
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
Ann Bolen, Senior Development Officer
Llewellyn C. Anderson, Strategic Planner
Ronald A. Reger, Strategic Planner
Scott Heiry, Business Intelligence Manager

Barry Merchant, Policy Analyst
Patrick J. Carey, Finance Director
Yvonne Farmer, Senior Marketing Specialist
Brian Matt, Public Relations Manager
Kathy Natale, Assistant Director of Business Systems
J. Kyle Howard, Assistant Director of Network Operations
Jeb Hoge, Technical Writer

Chairman McConnell called the meeting of the Committee of the Whole to order at 2:35 p.m. on February 7, 2012. 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.

Ms. Dewey presented a report on the Authority's organizational performance through the six month period ending on December 31, 2011. In this report, Ms. Dewey advised the Commissioners as to current market and economic conditions and challenges affecting achievement of the Authority's goals and reviewed the status of the following outcomes in the Authority's fiscal year 2012 strategic plan: single family and multi-family loan production and strategic lending; single family minority lending; management of risk in the single family and multi-family loan programs; allocation of low-income housing tax credits; management of deep subsidy underwriting risks; implementation of the REACH allocation plan for fiscal year 2012; administration of the Housing Choice Voucher Program; assistance in the development of the state housing policy; support of state foreclosure initiatives; update of the housing needs assessment; maintenance of the bond ratings; development of capital acquisition strategies; implementation of single family loss mitigation strategies; monitoring and mitigating of multi-family portfolio risk; regulatory compliance; implementation of the Lawson Enterprise Resource Planning System; modifications to the business model; and human resources utilization.

Mr. Ritenour, Ms. Watson, Mr. Hastings and Mr. Bowen presented a report on the status of REACH funding, in which they reviewed with the Commissioners the following matters: the history and purpose of REACH; the amount of the funds allocated for REACH since its inception in 2006; the types of loan and grant programs being funded by REACH in fiscal year 2012; the competing demands for REACH funds; the status of utilization of REACH funds in fiscal year 2012 through December 31, 2011 and the anticipated utilization of such funds by the end of fiscal year 2012; the allocation and utilization of REACH funds since fiscal year 2006 and the anticipated allocations of REACH funds in fiscal years 2013 and 2014; the anticipated decline in the Authority's net revenues and the impact of such decline on the amount of funds for REACH through fiscal year 2014; and the planned discussion at the Board retreat in March of the recommendations for allocations of REACH funds for fiscal year 2013. As a part of this discussion, Commissioner Hopkins presented additional options that he recommended for consideration by the Board for the future use of REACH funds. During this report, Commissioner Black joined the meeting.

Ms. Dewey reviewed the schedule and proposed topics and issues for the Board retreat on March 25-27, 2012.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 5:45 p.m. on February 7, 2012.

Chairman McConnell called the regular meeting of the Board of Commissioners to order at approximately 11:17 a.m. on February 8, 2012. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

No members of the public 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 December 6 and 7, 2011 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Chairman McConnell, on behalf of the Committee of the Whole, summarized the presentations to the Committee on the Authority's organizational performance through the six month period ending on December 31, 2011, the status of REACH funding, and the schedule and proposed topics and issues for the Board retreat on March 25-27, 2012.

Commissioner O'Brien, on behalf of the Programs Committee, reported that the Committee discussed and recommended approval of the following resolution:

WHEREAS, the Commissioners have reviewed and assessed the Authority's risk on its portfolio of interest only and flex single family mortgage loans;

WHEREAS, the Commissioners have concerns about the Authority's potential loss on the portfolio of these loans to borrowers who are at significant risk of default in the near future and have considered a preliminary proposal by the Executive Director to expand loss mitigation efforts for such borrowers to address such risk that may include interest rate reductions and other changes in the loan terms that would reduce the amounts of the monthly payments on such loans; and

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS that the Executive Director be hereby authorized to expand loss mitigation efforts for the Authority's interest only and flex single family mortgage loan borrowers as identified above, subject to such criteria, limitations, terms and conditions as she shall deem necessary or appropriate to serve the best interests of the Authority.

On motion duly made, this resolution was approved by the affirmative vote of each of the Commissioners noted above 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 delinquencies in the Authority's Ginnie Mae

portfolio; the status of leasing, funding and administration of the Housing Choice Voucher Program; the volume of calls to the Authority's contact center; the Authority's webinar for HomeTown Bank on the Authority's servicing of single family loans; the Authority's single family loan production; the enrollment in the Authority's homeownership education courses; the funding of grants for housing counselors; 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.

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 December 31, 2011, and the status of the internal audit schedule, reports and recommendations. Commissioner Hale reported that the Committee had received and considered a report and recommendation from its subcommittee on the selection of the accounting firm to perform the annual audit of the Authority's financial statements and that the Committee recommended the selection of KPMG . Commissioner Hale moved the adoption of a resolution that KPMG be selected as the Authority's independent auditor and be offered a new three (3) year contract with two one-year options at the annual fees indicated in KPMG's proposal. This resolution 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 considered a staff report on the salient features of the Authority's proposed Rental Housing Bonds, 2012 Series B-Non-AMT. Commissioner Hale summarized the staff reports received by the Committee on the following matters: a report by Ms. Blankenship on the Authority's future staffing needs and on the change in the Authority's employee health insurance policies; a report by Ms. Neale on succession management, the Leadership Development Program, change management and recent activities sponsored by the Organizational, Development and Learning Division; and the status of the programs and projects of the Project Management Office.

Commissioner Shelton presented his report, on behalf of the Department of Housing and Community Development, on the following recent events and activities: the process by which public comments on the impact of the reduction in federal HOME funding for fiscal year 2012 will be received prior to the approval by the Board of Housing and Community Development of the allocations of such funding; the actions being taken by the Department to implement the rapid rehousing program for homeless persons; the plan for the Board of Housing and Community Development to consider changes to the state-wide building code to promote energy conservation and green building; and the appointment of two new members to the Board of Housing and Community Development.

Ms. Dewey presented her report on operations in which she presented a video on the Authority's annual report for fiscal year 2011, Mr. Hoge and Ms. Farmer presented a demonstration of the Authority's new online homeownership course, and Ms. Dewey presented a video on the Lays Hardware Center for the Arts that included narration by Commissioner McConnell. Following these presentations, Ms. Dewey advised the

Commissioners of the following matters: the formation by the Authority staff of an e-business team, including a new staff member, to create an e-business strategy; the report of the Housing Virginia campaign titled “The Effects of Housing on the Local Economy” which was distributed by Ms. Dewey at the meeting; and the action by the Council on Economic Education, in partnership with the Authority and other advocates, to obtain approval by the state of a required course for high school students on financial literacy. Mr. McKellar reported on the status of legislation in the 2012 Session of the General Assembly affecting the Authority. Ms. Dewey advised the Commissioners as to her presentation on January 16, 2012 to the House Committee on Finance and as to key dates for upcoming Board events.

There being no further business, the meeting was adjourned at approximately 12:40 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 FEBRUARY 8, 2012

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on February 8, 2012 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
Jacqueline T. Black

OTHER COMMISSIONERS PRESENT

Yvonne T. Allmond
Kermit E. Hale
Charles L. Krum, Jr.

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
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
Arthur N. Bowen, Managing Director of Finance and Administration
Melody S. Barackman, Controller
Russ E. Wyatt, General Auditor
Barry Merchant, Senior Policy Analyst
Barbara Blankenship, Managing Director of Human Resources
Ann Bolen, Senior Development Officer
Patrick Carey, Finance Director
Llewellyn Anderson, Strategic Business Planner

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

On motion duly made and seconded, the minutes of the meeting of the Committee held on December 7, 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.

Ms. Dewey advised the Commissioners that the staff was looking at ways to expand loss mitigation efforts to help interest only and flex single family mortgage loan borrowers who are at significant risk of default in the near future. Following a discussion by the Commissioners of this matter, Commissioner Hopkins moved that the Committee recommend approval of the following resolution:

WHEREAS, the Commissioners have reviewed and assessed the Authority's risk on its portfolio of interest only and flex single family mortgage loans;

WHEREAS, the Commissioners have concerns about the Authority's potential loss on the portfolio of these loans to borrowers who are at significant risk of default in the near future and have considered a preliminary proposal by the Executive Director to expand loss mitigation efforts for such borrowers to address such risk that may include interest rate reductions and other changes in the loan terms that would reduce the amounts of the monthly payments on such loans; and

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS that the Executive Director be hereby authorized to expand loss mitigation efforts for the Authority's interest only and flex single family mortgage loan borrowers as identified above, subject to such criteria, limitations, terms and conditions as she shall deem necessary or appropriate to serve the best interests of the Authority.

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. 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 13.74% as of December 31, 2011 and that the overall delinquency rate for the multi-family loan portfolio had increased to 1.30% as of December 31, 2011.

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 \$363 million representing 2,516 loans.

Mr. Dolce also reported that there are four loans with a combined principal balance of \$522,000 in foreclosure in the Ginnie Mae portfolio.

Ms. Fairburn provided an update on the Housing Choice Voucher Program noting that the program is 95.26% leased as of January 31, 2012. Ms. Fairburn also reported that the federal government has not provided notice of the funding for housing assistance payments or administration fees for calendar year 2012. Ms. Fairburn commented that the reserve account which holds excess housing assistance payment authority will no longer be maintained by the Authority and has been transferred back to HUD. Ms. Fairburn also reported that Lynchburg Community Action Group will no longer administer the Housing Choice Voucher Program as of July 1 and that Campbell County and STEP are expected to assume the administration of its 205 vouchers. In addition, she noted that Buchanan County, Rooftop of Virginia and Clinch Valley will open their waiting lists briefly prior to March 1, 2012.

Mr. Dolce reported that the total number of phone calls received by the Authority's Contact Center for December and January was 3,408 and that the majority of the contacts came from Richmond followed by Northern Virginia and Hampton Roads. Mr. Dolce reported that the staff held a webinar with Home Town Bank regarding the possibility of the Authority servicing its loans.

Ms. Watson reported that loan closings in the single family loan program are tracking slightly below last year; however, loan reservations for January are slightly higher than January 2011. Ms. Watson also noted that the average loan amount was \$149,400 compared to \$150,200 for the same period last year and that loans to households with incomes below 80% area median income remain at 72% of production.

Ms. Watson presented a report on the Homeownership Education Program noting that 1,474 people had attended 190 classes as of December 31, 2011 and that an estimated 3,200 had taken the class online. Ms. Watson also reported that more than \$570,000 in grant dollars have been awarded to 28 counseling agencies to support foreclosure and housing counseling programs.

Mr. Hastings presented a report on multi-family loan production for the period November 29, 2011 to January 31, 2012. In this report, Mr. Hastings advised the Committee that six multi-family developments consisting of 522 units had been approved for mortgage loans in the total principal amount of approximately \$58.3 million. Mr. Hastings also noted that 83% of the developments were supported with REACH funding.

Ms. Bolen presented a report on the status of the disposition of the multi-family developments owned by the Authority. Ms. Bolen reported that the portfolio consisted of 13 developments that were not sold or under contract and that one new acquisition through foreclosure had occurred since the last report.

Mr. Hawkins presented reports on the Authority's outreach to the African American and Hispanic markets between December 2011 and January 2012. Mr. Hawkins reported that the staff continues to support the planning for the Northern Virginia Housing Expo to be conducted in March. Mr. Hawkins also reported that the

staff continues to facilitate training for Habitat affiliates and faith-based organizations serving rural Virginia.

Mr. Hill and Mr. Halloran presented reports on the Authority's marketing activities. In this report, Mr. Halloran noted that the Authority had continued support of a multi-faceted advertising campaign in an attempt to increase the occupancy rate at The Independence, which is an independent living facility in Charlottesville owned by VHDA. Mr. Halloran reported that four new move-ins had occurred in December. In addition, Mr. Halloran reported that the homeownership education classes had been advertised in newspapers in Northern Virginia, Richmond, and Hampton Roads.

There being no further business, the meeting was adjourned at 11:08 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON FEBRUARY 8, 2012

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on February 8, 2012 at the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia 23220.

COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBERS ABSENT:

Manju Ganeriwala
Marjorie N. Leon

OTHERS PRESENT:

Melody Barackman, Controller
Barbara Blankenship, Managing Director of Human Resources
Arthur N. Bowen, III, Managing Director of Finance & Administration
Tammy Neale, Chief Learning Officer
Shelia Phillips, Assistant Director of Project Management
Russ E. Wyatt, General Auditor
Michelle Jackson, Office Manager

The meeting of the Audit Committee was called to order by Committee Chairman Hale at approximately 10:15 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 7, 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 December 31, 2011. She reported for the month of December, expenses exceeded revenue by \$1.0 million and missed budget by \$2.9 million. She also reported for the first half of the year, earnings totaled \$31.5 million (or \$5.4 million behind plan). Ms. Barackman reported the combination of actual loan losses and the provision for loan losses exceeded budget estimates by \$12.3 million. She also reported that the net interest margin performed better than plan by \$6.2 million, and administrative expenses performed better than plan in all categories, by a total of \$2.2 million. Ms. Barackman also reported that for the first time in VHDA history, total assets surpassed \$10 Billion and that net assets increased by \$37 million, resulting in excess capital of \$2.36 billion or 23% 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 that 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 in accordance with the standards established by the Institute of Internal Auditors, which require internal audit departments to have a quality assurance review performed at least every five years, the Internal Audit Division had recently had a quality assurance review performed. Mr. Wyatt indicated that the report from that review is expected to be released within the next few weeks and will be provided to, and discussed with, the Audit Committee at the next meeting.

Ms. Barackman reported that the subcommittee responsible for recommending the selection of VHDA's independent auditor received and reviewed proposals from four (4) accounting firms, and interviewed two of those firms: KPMG and Clifton, Larson, Allen (formerly known as Clifton Gunderson). The subcommittee, which included Commissioner Allmond, Art Bowen, Russ Wyatt, Melody Barackman, and George Comstock, unanimously agreed that the proposal of KPMG was the best proposal and therefore recommended that the Audit Committee recommend to the Board that KPMG be selected as the Authority's independent auditor and be offered a new three (3) year contract with two one-year options at the annual fees indicated in KPMG's proposal. Upon motion duly made and seconded, the recommendation of the subcommittee that KPMG be selected as the Authority's independent auditor and be offered a new three (3) year contract with two one-year options at the annual fees indicated in KPMG's proposal was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

There being no further business, the meeting was adjourned at 10:40 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON FEBRUARY 8, 2012

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on February 8, 2012 at the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia 23220.

COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBERS ABSENT:

Manju Ganeriwala
Marjorie N. Leon

OTHERS PRESENT:

Melody Barackman, Controller
Barbara Blankenship, Managing Director of Human Resources
Arthur N. Bowen, III, Managing Director of Finance & Administration
Shelia Phillips, Assistant Director of Project Management
Tammy Neale, Chief Learning Officer
Russ E. Wyatt, General Auditor
Michelle Jackson, Office Manager

The meeting of the Operations Committee was called to order by Committee Chairman Hale at approximately 10:40 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 December 7, 2011 were approved as amended by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Bowen discussed plans for an upcoming Rental Housing Bonds transaction for approximately \$30 million of tax-exempt bonds to finance up to four developments and expected to be issued in May. He reported that the transaction is expected to be rated Aa1/AA+ from Moody's and S&P, respectively.

Ms. Blankenship gave the Human Resources update.

Ms. Neale provided an update on work performed by OD&L in professional development, succession management, change management, and associate engagement.

Ms. Phillips provided an update on the PMO Portfolio. She also provided an update on the Single Family Solutions Suite (SFSS) Program.

There being no further business, the meeting was adjourned at 11:04.