

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON FEBRUARY 3, 2016

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 3, 2016 at the Authority's offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMISSIONERS PRESENT:

Timothy M. Chapman, Chairman
Kermit E. Hale
Manju Ganeriwala
Marjorie N. Leon
Charles McConnell
Douglas R. Fahl
Lemella Y. Carrington

COMMISSIONERS ABSENT:

Sarah B. Stedfast, Vice Chairman
William C. Shelton
H. Richard Ashe
Shekar Narasimhan

OTHERS PRESENT:

Susan F. Dewey, Executive Director
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
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
Barry Merchant, Senior Policy Analyst
Sandy Edwards, Office Manager
J. Judson McKellar, Jr., Contractor
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
Brian Matt, Public Relations Manager
Jeffery Quann, Associate Counsel
Sarah Jones-Anderson, Program Support Analyst
Sherry Long, Project Manager
Sandy Cannon – Sr. Loss Mitigation Officer
Donna Foxworth – Program Compliance Specialist
Lorinda Gholar – Sr. Asset Manager
Cynthia Hamler Johnson – Sr. Program Compliance Officer
James Lambert – Program Support Trainee
Tina McDowney – ITS Training & Change Coordinator
Malika Mickey – Default Quality Assurance Analyst
Keith Sherrill – Grant Programs Officer

Chairman Chapman called the meeting of the Committee of the Whole to order at 9:51 a.m. on February 3, 2016. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Ms. Dewey introduced to the Commissioners Ms. Cannon, Ms. Foxworth, Ms. Gholar, Ms. Johnson, Mr. Lambert, Ms. Mickey, Mr. Sherrill and Ms. Webb who are participating in the Authority's Emerging Leaders Program.

Ms. Dewey, Mr. Merchant, Ms. Wigglesworth, Mr. Bowen, and Mr. Hawkins presented a report on housing trends in Virginia and on feedback from the Authority's Stakeholder Engagement Series conducted in 2015. The report included (i) a review of housing needs and trends in Virginia; (ii) the common themes in stakeholder input that emerged from the Stakeholder Engagement Series meetings with Homeownership and Community Outreach and the Stakeholder Engagement Series meetings with Rental and Community Outreach regarding training, automation, and the Authority's website; and (iii) the enhancements that have or will be made to the programs offered by Homeownership, Rental and Community Outreach as a result of input from the Stakeholder Engagement Series.

Ms. Dewey, Mr. Carey, Ms. Wigglesworth, Mr. Bowen, and Mr. Hawkins presented a report on the Authority's organizational performance through the six month period ending on December 31, 2015. In this report, they advised the Commissioners as to capital markets activities, including mortgage credit certificate utilization; the Authority's financial strength; the status of loan losses and loan loss provision; homeownership loan production; the level of homeownership activity by month and by product; the performance of the homeownership loan portfolio; rental housing loan production; the level of rental housing activity by month; the performance of the rental housing loan portfolio; the activities of community outreach in homeownership education and housing choice vouchers; and the utilization of REACH funds.

Mr. Bowen and Mr. Chandler briefed the Committee on the five-year history of the Authority's pre-allocation of low-income housing tax credits from the next year's allocation of credits, advised the Committee that the Qualified Allocation Plan limits pre-allocations to 40% of the next year's credit allocation, plus an additional 6% for the

Accessible Supportive Housing pool, and recommended no changes in those limits. It was the consensus of the Committee that these limits are good benchmarks and would be reviewed annually during the discussion determining the selection of projects for reservations and allocations of credits.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 12:22 p.m. on February 3, 2016.

Chairman Chapman called the regular meeting of the Board of Commissioners to order at approximately 12:22 p.m. on February 3, 2016. 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 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 December 2, 2015 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Brennan presented a resolution to approve and ratify the reservations of federal low-income housing tax credits for four developments in the non-competitive disability pool known as Carlton Views I, Cypress Landing, New Clay House II, and Freedom Lane. On motion duly made and seconded, the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated February 3, 2016, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Chapman, on behalf of the Executive Committee, reported that the Committee had (i) received the report on the pre-allocation of low-income housing tax credits discussed in the Committee of the Whole; (ii) discussed future educational sessions to be presented to the Committee of the Whole; and (iii) reviewed the agendas for the meetings of the Committees and the Board.

Commissioner McConnell, on behalf of the Finance and Audit Committee, reported that the Committee had received and discussed the following: (i) the Authority staff conducted the annual review under its Anti-Money Laundering and Suspicious Activity Policy and advised the Committee that no mortgage fraud or money laundering activity had been detected; and (ii) the Authority staff proposed revisions to the Anti-Money Laundering and Suspicious Activity Policy, and the Committee recommended to the Board that the Policy be approved as revised. On motion duly made and seconded, the Anti-Money Laundering and Suspicious Activity Policy, as revised, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner McConnell next reported that the Committee had received and discussed (i) the Authority's monthly financials and budget comparisons for the period ending December 31, 2015, including excess revenues of \$78.1 million after six months exceeding budget by \$12.5 million, programmatic expenses better than budget by \$12.3 million, and net assets increasing to \$2.9 billion; (ii) the salient features of the

Authority's proposed Rental Housing Bonds, 2016 Series C-Non-AMT, estimated to be \$55 million; (iii) the completed and current internal audit and review activities; (iv) an update on the Authority's enterprise risk management activities; and (v) an update on the enterprise compliance program strategy.

Commissioner Fahl, on behalf of the Operations Committee, reported that the Committee had received and discussed staff reports on the following: (a) in the case of the homeownership loan program - (i) the immediate staffing needs in the Homeownership Division to address succession management, to convert temporary positions into permanent positions, and to increase staff to address compliance requirements, resulting in a net increase of fourteen positions; and (ii) a revision to the down payment assistance program that would increase grant funds for FHA loans from 3% to 3.5% and raise the estimated yearly cost of the program from \$24.5 million to \$26 million; (b) in the case of the rental loan program – (i) the underwriting of five of the six developments that received points for combining 4% and 9% tax credits; (ii) the underwriting activities involving HUD's Rental Assistance Demonstration program; and (iii) the status of the Authority's multi-family REO portfolio in which two of the five developments in the portfolio are currently under contracts for sale; (c) in the case of community outreach activities - (i) the progress of structural changes made to the staffing of the Community Outreach Division; (ii) the downtown revitalization efforts with local officials of the Town of Pulaski; and (iii) the planning efforts with the Piedmont Housing Alliance in Charlottesville on the transformation of an existing affordable rental development; and (d) in the case of the Project Management Office – (i) the status of the project portfolio that contains nine active projects with one project experiencing a delay in implementation; and (ii) the last stage of the renovation to the Authority's Headquarters that is ready to begin and is scheduled to be completed in time for the June Board meeting.

Chairman Chapman, on behalf of the Committee of the Whole, reported that the Committee had received and discussed staff reports on (i) the housing trends and feedback from the Stakeholder Engagement Series held in 2015; (ii) the organizational performance through the six month period ending on December 31, 2015; and (iii) the pre-allocation of low-income housing tax credits under the Authority's Qualified Allocation Plan.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: (i) the NCSHA Legislative Conference beginning on February 29, 2016; (ii) the Board retreat to be held on April 10-12, 2016 in Charlottesville; (iii) the regular meeting of the Board of Commissioners to be held on June 8, 2016 at the Authority's headquarters on Belvidere Street; (iv) the topics for the educational sessions to be presented to the Committee of the Whole at future Board meetings; (v) an update on the last meeting of the Housing Policy Advisory Council held on January 5, 2016; (vi) the results of Freddie Mac's site review in connection with the Authority's application to become a Freddie Mac seller/servicer; (vii) the Authority's continued designation as Tier I servicer by HUD for its servicing of single family FHA loans; (viii) the Authority's receipt of the 2015 Ellen Bozman Affordable Housing Award; (ix) the correspondence from stakeholders regarding the pre-allocation of low income housing tax credits; (x) the recognition of the Authority's bonds in an article

published by Forbes magazine; (xi) a congratulatory letter from Senator Warner for the Alliance Partner of the Year Award; (xii) the results of the Authority's 2015 CVC campaign; (xiii) the updated program descriptions in the Board Resource Pack; and (xiv) the appointment of Shekar Narasimhan to serve as DHCD's board representative on the Authority's Board of Commissioners and his plans to attend the Board retreat in April. Ms. Dewey also introduced Mr. Matt to the Commissioners, who will be available as a resource for the Commissioners in addressing any public relation matters involving the Authority.

There being no further business, the meeting was adjourned at approximately 12:54 p.m. on February 3, 2016.

Timothy M. Chapman, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON FEBRUARY 3, 2016

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 February 3, 2016 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
Arthur N. Bowen, Managing Director of Rental Housing
James M. Chandler, Director of Low Income Housing Tax Credit Program

Chairman Chapman called the meeting of the Committee to order at approximately 6:30 p.m. on February 3, 2016. 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 December 2, 2015 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Bowen and Mr. Chandler briefed the Committee on the history of the Authority's pre-allocation of low-income housing tax credits from the next year's per capita credits to applications in the current year.

Ms. Dewey reported to the Committee on the Authority's past financial support of Housing Virginia and discussed plans for future financial support to the organization.

Ms. Dewey reported to the Committee on planned topics ranked by the Board to be presented to the Committee of the Whole at future meetings of the Board and plans for the Board Retreat, which will focus on strategic planning.

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.

There being no further business, the meeting was adjourned at approximately 7:37 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE FINANCE AND AUDIT COMMITTEE
HELD ON FEBRUARY 3, 2016

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 February 3, 2016 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, VA 23060.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Acting Chairman
Manju Ganeriwala
Marjorie N. Leon

COMMITTEE MEMBERS ABSENT:

Sarah B. Stedfast, Chairman

OTHERS PRESENT:

Patrick J. Carey, Managing Director of Finance
Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management
Ross Strodel, Internal Audit Director
Jeff Quann, Associate Counsel
Ron Reger, Enterprise Risk Manager
David Reid, Risk and Controls Internal Consultant
Bonnie McRae, Senior Executive Assistant
J. Judson McKellar, Jr., Contractor

The meeting of the Finance and Audit Committee was called to order by Acting Committee Chairman McConnell at approximately 9:00 a.m. on February 3, 2016. 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 Commissioner Ganeriwala who 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 December 2, 2015 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Quann presented a report on the Authority's Anti-Money Laundering and Suspicious Activity Reporting Policy. In his report, Mr. Quann stated that the Authority's staff completed a review and that no mortgage fraud or money laundering activity was detected. Mr. Quann presented proposed revisions to the policy due to recent regulatory guidance to the industry on current trends in mortgage fraud and money laundering. During this report, Commissioner Ganeriwala joined the meeting. On motion duly made and seconded, a resolution to recommend approval of the Anti-Money Laundering and Suspicious Activity Reporting Policy, as revised, was approved by the members of the Committee noted above as present at the meeting.

Mr. Carey reported on the Authority's monthly financials and budget comparison for the period ending December 31, 2015. In his report, Mr. Carey noted the following: excess revenues were \$78.1 million and over budget by \$12.5 million; net interest margin was \$120.0 million and was \$2.7 million under budget; programmatic expenses were better than budget by \$12.3 million primarily due to lower mortgage lending and servicing costs, higher than budgeted ancillary fee income, and lower grant disbursements; administrative expenses were better than budget by \$2.5 million; total assets were \$8.0 billion; and net assets had increased to \$2.9 billion.

Mr. Carey presented the salient features for the sale and issuance of \$55,000,000 Rental Housing Bonds that are expected to bear fixed interest rates, have a final maturity in 30-35 years, and finance mortgage loans for up to eight multi-family developments.

Mr. Strodel reported on audit activities in the Audit and Enterprise Risk Management Division. In this report, Mr. Strodel provided updates on the status of the following matters: staffing in Audit and Risk Management Division; the solicitation for the Authority's external auditors; the 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; and current and planned audit projects.

Mr. Reger presented an update on enterprise risk management activities, and Ms. Camus reported on the status of the information security project undertaken by Authority staff with the assistance of Gartner, Inc.

Ms. Camus reported on the status of the Authority's enterprise compliance program strategy. Mr. Reger explained that the Authority is transitioning to an expanded risk approach, including training, information security and management, and review and updating of policies and administrative regulations.

There being no further business, the meeting was adjourned at 9:45 a.m. on February 3, 2016.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON FEBRUARY 3, 2016

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 3, 2016 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Douglas R. Fahl, Chairman
Kermit E. Hale
Timothy M. Chapman
Lemella Y. Carrington

COMMITTEE MEMBERS ABSENT:

William C. Shelton
H. Richard Ashe

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wiglesworth, 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
Fred Bryant, Deputy General Counsel
Jason Thompson, Organizational Health Reporting and Risk Analyst
J.D. Bondurant, Assistant Director of Low Income Housing Tax Credit Programs
Janice Burgess, Loans Programs Manager

The meeting of the Operations 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 Operations Committee held on December 2, 2015 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Wigelsworth updated the Committee on the immediate staffing needs in the Homeownership Division to address succession management, converting temporary positions into permanent positions and additional staff to address compliance requirements; resulting in a net increase in fourteen additional permanent staff. Recruiting for these positions will start in this fiscal year and additional staffing discussion will take place during the 2017 fiscal year budget process.

Ms. Wigelsworth reported to the Committee that, as a result of stakeholder feedback on the down payment assistance program, the Authority would increase grant funds for FHA loans from 3% to 3.5%, which will raise the estimated yearly cost of the program from \$24.5 million to \$26 million.

Mr. Bowen reported to the Committee on the operations of the Rental Division. Mr. Bowen reported that (i) the Authority will likely finance five of the six tax credit developments that received points for combining 4%/9% tax credit developments; (ii) the Authority is underwriting or expects to underwrite several public housing transformation projects under HUD's Rental Assistance Demonstration program; and (iii) the Authority's REO portfolio currently stands five developments, two of which are currently under contracts for sale, and one parcel of land.

Mr. Hawkins reported to the Committee on the operations of the Community Outreach Division. Mr. Hawkins reported on (i) structural changes to the Division designed to accommodate the increase in the grant making activity of the Authority; (ii) the partnership with DHCD in downtown revitalization efforts with the Town of Pulaski; and (iii) the planning efforts with the Piedmont Housing Alliance in Charlottesville on the transformation of an existing affordable rental development in to a mixed-use/mixed-income community that will preserve the affordable housing stock.

Administrative updates were provided by Mr. Gluesing and Ms. Neale. Mr. Gluesing reported that the nine projects under the Project Management Office were in performing well, except one project involving the MERS system which is experiencing a delay in implementation. Ms. Neale reported that the last stage of the renovation to the Authority's Headquarters that is ready to begin and is scheduled to be completed in time for the June Board meeting.

There being no further business, the meeting was adjourned at 9:31 a.m.