

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE RETREAT AND REGULAR MEETINGS
OF THE COMMISSIONERS HELD ON APRIL 11-13, 2010

Pursuant to the call of the Chairman and notice duly given, the retreat and regular meetings of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on April 11-13, 2010 at its offices in the Southwest Virginia Housing Center located at 105 East Main Street, Wytheville, Virginia.

COMMISSIONERS PRESENT:

Gerald W. Hopkins, Chairman
Charles McConnell, Vice Chairman
John P. McCann
William C. Shelton
Manju Ganeriwala
Nancy K. O'Brien
Yvonne T. Allmond
Marjorie N. Leon
Kermit E. Hale

COMMISSIONERS ABSENT:

Jay Fisette
Jacqueline T. Black

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
Tammy Neale, Chief Learning Officer
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Russ E. Wyatt, General Auditor
Janet W. Butler, Managing Director of Information Technology Services
J. Judson McKellar, Jr., General Counsel
John F. Hastings, Director of Multi-Family Development Programs
Michele G. Watson, Director of Homeownership Programs
Ronald A. Reger, Strategic Business Planner
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Melody S. Barackman, Controller
Llewellyn C. Anderson, Strategic Business Planner
J. Michael Hawkins, Director of Community Housing
Barry Merchant, Policy Analyst
Scott Heiry, Business Intelligence Manager

Patrick Carey, Finance Director
Nina B. Nolley, Assistant Director of Multi-Family Servicing
Neal Rogers, Manager of Asset Management
Jose Piaz, Community Housing Officer
Cliff Millirons, Regional Loan Development Manager
Andy Kegley, HOPE, Inc.
Mark Kinser, Unlimited Construction, Inc.
David Baldwin, Bristol Redevelopment and Housing Authority
Mike Rush, People, Inc.

The retreat meeting commenced at 4:05 p.m. on April 11, 2010 with a tour of the Southwest Virginia Housing Center. All of the Commissioners listed above as present at the meeting were present during the retreat meeting on April 11, 2010, except Commissioner Hale.

Following the tour, a panel composed of Mr. Baldwin, Mr. Kegley, Mr. Kinser and Mr. Rush discussed with the Commissioners the challenges facing affordable housing in Southwest Virginia. Mr. Baldwin reviewed the following issues affecting the “Little 10” redevelopment and housing authorities: inadequate administrative funding for the Housing Choice Voucher Program; inadequate funds for improvements to aging housing properties; lack of accessible housing and elderly housing; and inadequate funds for development of new projects. Mr. Baldwin noted a recent issue in obtaining a loan from the Authority on an existing multi-family development that is subject to prior occupancy restrictions imposed by HUD and also indicated that there may be a future need of financing from the Authority for developments under the proposed Transforming Rental Assistance Program of HUD. Mr. Kegley advised the Commissioners of recent projects by HOPE, Inc., and indicated the importance of manufactured housing in meeting needs of the residents in Southwest Virginia. Mr. Kegley discussed the inadequacy of funds for nonprofits to cover their administrative costs, the decline in donations to nonprofits, and the need for improved marketing by nonprofits to raise funds. Mr. Kinser presented a summary of the status of the single family housing market in Southwest Virginia, including recent changes in the volume of single family home sales and the median sales prices, and reviewed the results of a survey that identified issues and problems in the single family market and that included suggestions for assistance from the Authority. Mr. Rush discussed the following challenges to providing affordable single family housing in Southwest Virginia: the availability of housing stock; the time required to close loans; the lack of construction financing; public opposition to affordable housing developments; lack of land that is suitable for new construction; increased impact fees and construction costs; lack of funding for improvements to owner-occupied housing; and the need for a housing trust fund. Upon the conclusion of the discussions of these issues by the Commissioners and the members of the panel, the retreat meeting was recessed at 6:30 p.m. on April 11, 2010.

Chairman Hopkins reconvened the retreat meeting of the Commissioners at 8:30 a.m. on April 12, 2010. All of the Commissioners listed above as present at the meeting were present at that time.

Ms. Dewey and Mr. McKellar reported on the status of federal and state legislation and policy initiatives, including the following: the pending federal legislation on consumer protection, financial reform, and extension of the program for exchanging federal low-income housing tax credits for funds from the U.S. Treasury; the reform of Fannie Mae and Freddie Mac; the foreclosure prevention funding provided by the federal government to ten states; the expiration on April 30, 2010 of the tax credit for single family home purchases; the termination on March 31, 2010 of the purchase by the federal government of Fannie Mae and Freddie Mac securities; the pending federal tax reform legislation; the NCSHA working group on the future of state housing finance agencies; the legislation that passed, failed to pass, and was referred to the Virginia Housing Commission in the 2010 session of the General Assembly; the state policy initiatives to extend foreclosure mitigation efforts, to develop a state housing policy, and to study the coordination of services for the homeless population; the development of the state's economic development plan and urban policy; and the creation by the Governor of the Economic Development and Job Creation Commission, the Defective Drywall Task Force, and the Commission on Government Reform and Restructuring.

Mr. Merchant discussed the Authority's strategic planning focus and timelines, including the current status of the fiscal year 2008-2010 strategic plan, the shift to critical operational priorities in 2009, the market and economic circumstances and uncertainties expected to exist until 2011, the two-year focus for fiscal years 2011 and 2012 of managing key operational priorities and defining long-term direction, the proposed initiation in fiscal year 2011 of the process for development of a two-year strategic plan, and the anticipated outputs of such process being an updated statewide housing needs assessment, a revised business model, and a three-year strategic plan for fiscal years 2013 through 2015.

Ms. Nolley, Mr. Rogers, Ms. Barackman and Mr. Hastings presented reports on managing risk in the Authority's multi-family loan portfolio. In their reports, they discussed with the Commissioners the following matters: the economic factors currently affecting loan performance, including economic conditions, declines in real estate values, and increases in operating expenses; the Authority's management of the portfolio risk by monitoring the financial performance, physical condition and mortgage payment history of the developments; the impact of multi-family foreclosures on the Authority's financial performance; the status of the Authority's multi-family loan loss reserves; multi-family foreclosures since the beginning of fiscal year 2008; and the Authority's adjustments in its underwriting of multi-family loans in response to current conditions.

Mr. Dolce and Ms. Barackman reported on risk in the homeownership loan portfolio and the Authority's loss mitigation activities, including the following matters that were discussed with the Commissioners: the focus on enabling distressed homeowners to remain in their homes when they are realistically able to do so while minimizing financial loss to the Authority and the borrowers; the difference between the loss mitigation goals of the Authority and those of the federal government; the economic conditions affecting the Authority's financial risk; the difficulties affecting the Authority's ability to assist borrowers who are in default; the loss mitigation options available to the Authority; the alternatives available to the Authority if the borrower does not qualify for loss mitigation assistance; the success of the Authority in assisting

delinquent borrowers and in mitigating its losses; the anticipated provision for single family loan losses in fiscal year 2011; the Authority's single family loan loss experience in fiscal year 2009 and to date in fiscal year 2010; and the sufficiency of the single family loan loss reserve in relation to loan delinquencies and actual losses.

Mr. Carey reported on the challenges in accessing cost effective capital after the U.S. Treasury's New Issuance Bond Program expires in February 2011. Mr. Carey discussed with the Commissioners (i) the bond market conditions and the Authority's sources of programmatic funding since tax exempt bond financing became infeasible in 2008, (ii) the following five options that are being reviewed by the staff as possible ways to finance or assist single family housing after February 2011: an uninsured loan program funded with tax-exempt bonds; recycling of prepayments coupled with down payment assistance; Ginnie Mae securitization coupled with down payment assistance; a subsidized core lending program; and issuance of mortgage credit certificates, and (iii) the following criteria to be applied in evaluating each source of funding- maintenance of a viable lending program, earning of net revenues, use of tax exempt bond allocation, and financial risk. Ms. Watson next reported on the challenge of providing a program model that will respond to underwriting risks and will continue to meet borrower needs, and in her report she discussed with the Commissioners the risk based underwriting for FHA Plus loans that will take effect on May 1, 2010 and will base the amount of the second mortgage loan on the credit score of the loan applicant as follows: applicants with credit scores of 680 or higher will be eligible for a maximum 5% second mortgage loan; applicants with credit scores between 620 and 679 will be eligible for a maximum 3.5% second mortgage loan; applicants with credit scores of less than 620 will be ineligible for a second mortgage loan.

Mr. Merchant reported on shifts in program and budgetary policy impacting the use of deep rental subsidies. In this report, Mr. Merchant discussed the following issues with the Commissioners: the pressures on federal, state and local governments to provide housing for extremely low income persons; the inadequacy of current HUD deep subsidy programs to meet the housing needs of extremely low income persons; the proposed "Transforming Rental Assistance" initiative being developed by HUD; and the impact of federal and state budget and policy shifts on the Authority.

Mr. Ritenour reported on the proposed allocation of REACH funds for fiscal year 2011, and in this report he discussed with the Commissioners the allocation and usage of REACH funds in fiscal year 2010 and the adjustments in funding for fiscal year 2011 from the amounts allocated in fiscal year 2010, including the proposed allocation in 2011 for Community Homeownership Revitalization Support in lieu of an allocation for single family SPARC.

Ms. Dewey presented her report on operations in which she advised the Commissioners that the Board and Committee meetings on June 7th and 8th are expected to commence at 4:00 p.m. on June 7th and that a resolution had been adopted by the Virginia Association of Realtors expressing appreciation for the contributions and support of the Authority. Following this report, Mr. McKellar advised the Commissioners as to the status of the litigation relating to The Views at Clarendon.

Mr. Chandler reported that, because four developments that received allocations of federal low-income housing tax credits and federal funds in 2010 will not proceed, the tax credits and federal funds allocated to those developments will be reallocated to two developments that had applied for, but had not received, tax credit and federal funds in 2009. Mr. Chandler also reviewed the preallocation in 2009 of approximately 66% of the state's allocation of 2010 tax credits and advised the Commissioners that, if the pending federal legislation authorizing the exchange of 40% of the state's allocation of 2010 tax credits is enacted, it will be necessary to preallocate approximately 6% of the state's allocation of 2011 tax credits to developments that received 2010 credits in 2009 and to thereby deallocate a commensurate amount of 2010 tax credits in order to have the required 40% of 2010 tax credits for such exchange.

There being no further business on the agenda for the day, the retreat meeting was recessed at 4:32 p.m.

Chairman Hopkins reconvened the retreat meeting of the Commissioners at 8:35 a.m. on April 13, 2010. All of the Commissioners listed above as present at the meeting were present at that time.

Mr. Bowen, Ms. Blankenship, Ms. Neale, Ms. Butler, and Mr. Hill presented reports on the budget drivers for fiscal year 2011. Mr. Bowen reported on the budgetary impact of (i) the projected increase in revenues due to improved loan spreads and investment income, (ii) the anticipated increase in the provision for loan losses, and (iii) the completion of improvements to the Authority's office buildings in fiscal year 2010, except for phase II of the renovation of its headquarters. Ms. Blankenship discussed with the Commissioners the budget drivers in Human Resources for fiscal year 2011 and in her report indicated that no increase is currently planned for the fiscal year 2011 salary budget, that higher than usual use of temporary staff is anticipated, that staff resources continue to be moved internally to efficiently use their skill sets, and that the effect of health care reform on the fiscal year 2011 budget is unknown. During this report, the Commissioners and staff discussed various means of controlling staffing costs and maximizing the efficient usage of staff. Ms. Neale reported that Organizational Development and Learning will continue to focus on staff development, that the fiscal year 2011 budget is anticipated to decrease, that training dollars will be carefully monitored and controlled, and that the out-of-state travel and conferences will require the approval of the Executive Director. Ms. Butler advised the Commissioners that no increase in budgeted expenditures for technology is anticipated for fiscal year 2011 even though the Enterprise Resource Planning program will be initiated. In her report, Ms. Butler reviewed the anticipated fiscal year 2011 budgetary expenditures for ongoing technology expenses, expected projects and other costs, reviewed major projects initiated in fiscal year 2009 and 2010 and projects continuing in fiscal year 2011, and significant new potential projects and programs. Mr. Bowen then reviewed the benefits and costs of the Enterprise Resource Planning program. Mr. Hill reported on the budget drivers for the Authority's marketing activities and in this report noted the following: the homeownership education advertising campaign had been suspended in fiscal year 2010 as a cost saving strategy; the fiscal year 2011 budget for marketing would be approximately 1% less than the projected actual expenditures for fiscal year 2010 and would support the core business needs of the Authority; and the Authority would revisit

the homeownership education advertising campaign and assess other options to align with future strategic plan development. Following these reports, the Commissioners requested a high level presentation about the Authority's programs and the goals of those programs. In addition, the Commissioners requested the staff to analyze the possible formation by the Authority of a mortgage insurance company to insure the Authority's loans.

There being no further business, the retreat meeting was adjourned at approximately 10:13 a.m. on April 13, 2010.

Chairman Hopkins convened the regular meeting of the Board of Commissioners at 12:05 p.m. on April 13, 2010. The Commissioners noted above as present at the meeting were present at that time and remained present throughout the meeting. Chairman Hopkins thanked the staff at the Southwest Virginia Housing Center for their support and assistance at the retreat 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 meeting of the Committee of the Whole and the regular meeting of the Commissioners held on December 1 and 2, 2009 were approved by the affirmative vote of each of the Commissioners noted above present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of the 45th Anniversary of Total Action Against Poverty" dated April 13, 2010, was approved in the form attached hereto by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of the 45th Anniversary of Rooftop of Virginia" dated April 13, 2010, was approved in the form attached hereto by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of the 45th Anniversary of Clinch Valley Community Action" dated April 13, 2010, was approved in the form attached hereto by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Chairman Hopkins reported on meetings with Congressman Connolly and the staff of other congressmen during the NCSHA Legislative Conference and noted that the primary issue raised during the meetings was foreclosure of single family homes.

Commissioner O'Brien, on behalf of the Programs Committee, reported that the Committee had received and discussed a staff report on the status of applications received by the Authority for allocations in 2010 of low-income housing tax credits and the possible pre-allocation of 2011 tax credits as was discussed at the retreat meeting on the prior day. Commissioner O'Brien next reported that the Committee had received and discussed, and recommended approval of, a resolution to authorize the Executive

Director to eliminate and modify the limitations on annual distributions to certain owners of multi-family developments financed by the Authority and any term or condition relating to the amount or payment of such annual distributions. Commissioner O'Brien next reported that the Committee had received and discussed, and recommended approval of, a resolution to approve the Authority's five year and annual plans for the Housing Choice Voucher Program. Commissioner O'Brien summarized the staff reports that had been received and considered by the Committee on the following matters: issues relating to compliance of localities' affordable dwelling unit ordinances and programs with FHA requirements; homeownership and multi-family loan delinquencies; delinquencies in the Authority's Ginnie Mae portfolio; single family and multi-family loan production; the status of the disposition of multi-family developments owned by the Authority; the status of the Authority's emerging markets outreach efforts; and the Authority's recent marketing activities. Commissioner O'Brien noted that the staff had been advised that HUD was relying on the Marshall Swift Index that is used by the Authority in allocating low-income housing tax credits under the Qualified Allocation Plan. Commissioner O'Brien also advised the Commissioners that the Authority was one of two state housing finance agencies that had fully committed its federal TCAP funds for multi-family developments by the end of 2009. On motion duly made, the resolution entitled "Resolution Authorizing Executive Director to Eliminate and Modify Limitations on Annual Distributions" dated April 13, 2010 in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. On motion duly made, the resolution entitled "Resolution Approving the PHA Five-Year and Annual Plans for the Virginia Housing Development Authority for the Housing Choice Voucher Program" dated April 13, 2009, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Allmond, 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 February 28, 2010. Commissioner Allmond advised the Commissioners that the staff had extended the contract with KPMG for an additional two years. Commissioner Allmond also reported that the Committee had received and discussed the staff report on the status of the internal audit schedule and the internal audit reports and recommendations and that the risk and control self-assessment system had been implemented by the staff as part of the Authority's enterprise risk management activities.

Commissioner Allmond, on behalf of the Operations Committee, 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 an aggregate amount not to exceed \$400 million, (ii) provides for the sale of the Rental Housing Bonds not later than May 31, 2011 and (iii) authorizes the distribution of one or more preliminary and final official statements in substantially the form presented at the meeting. On motion duly made, the resolution entitled "Bond Limitations Resolution" dated April 13, 2010, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Allmond summarized the following staff report that had been received and considered by the Committee: a report on the salient features of the

Authority's proposed Rental Housing Bonds, 2010 Series C; an update from Ms. Blankenship on Human Resources; an update on ITS projects; and a report on recent activities sponsored by the Organizational, Development and Learning Division.

Commissioner Ganeriwala commended Ms. Dewey on her recent receipt of an Outstanding Woman of the Year Award from the YWCA.

There being no further business, the meeting was adjourned at approximately 12:29 p.m. on April 13, 2010.

Gerald W. Hopkins, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
HELD ON APRIL 13, 2010

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 April 13, 2010 at its offices in the Southwest Virginia Housing Center, 105 East Main Street, Wytheville, Virginia.

COMMITTEE MEMBERS PRESENT:

Nancy K. O'Brien, Committee Chairman
William C. Shelton
Charles McConnell
Marjorie N. Leon

COMMITTEE MEMBERS ABSENT:

Jay Fisette
Jacqueline Black

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
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
Ronald A. Reger, Strategic Business Planner
Scott Heiry, Business Intelligence Manager
Barry Merchant, Policy Analyst
Llewellyn C. Anderson, Strategic Planner

The meeting of the Programs Committee was called to order by Committee Chairman O'Brien at approximately 10:37 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 2, 2009 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Chandler reported on the status of applications received by the Authority for allocations in 2010 of federal low-income housing tax credits. Mr. Chandler also advised the Committee that, if the pending federal legislation authorizing the exchange of 40% of the state's allocation of 2010 tax credits is enacted, it will be necessary to preallocate approximately 6% of the state's allocation of 2011 tax credits to developments that received 2010 credits in 2009 and to thereby deallocate a commensurate amount of 2010 tax credits in order to have the required 40% of 2010 tax credits for such exchange.

Mr. McKellar presented a resolution that would authorize the Executive Director to eliminate and modify the limitations on annual distributions to certain owners of multi-family developments financed by the Authority and any term or condition relating to the amount or payment of such annual distributions. Commissioner McConnell moved that the Committee recommend approval of the resolution entitled "Resolution Authorizing Executive Director to Eliminate and Modify Limitations on Annual Distributions" dated April 13, 2010. This motion was seconded by Commissioner Shelton 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 a resolution to approve the five-year and annual plans of the Housing Choice Voucher Program administered by the Authority. Mr. Dolce reported that the public hearing on the plans was held on March 18, 2010, that no comments were received, and that no changes had been made to the existing plans. Commissioner McConnell moved that the Committee recommend approval of the resolution entitled "Resolution Approving the PHA Five-Year and Annual Plans for the Virginia Housing Development Authority for the Housing Choice Voucher Program" dated April 13, 2010. This motion was seconded by Commissioner Leon and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. McKellar next discussed with the Committee possible conflicts between the provisions of localities' affordable dwelling unit ordinances and programs and the requirements of FHA single family mortgage insurance. Mr. McKellar informed the Committee that staff is in the process of obtaining more information about the affordable dwelling unit ordinances and programs in various Northern Virginia jurisdictions and may contact FHA to discuss resolution of any conflicts with the FHA requirements. Mr. McKellar informed the Committee that the Authority is continuing to finance FHA-insured loans on affordable dwelling units but that it may become necessary to discontinue such financing in any jurisdiction in which the affordable dwelling unit ordinance or program fails to comply with the FHA requirements.

Mr. Dolce reported on the status of delinquencies and foreclosures in the homeownership and multi-family loan portfolios. In this report, Mr. Dolce advised the Committee that during March 2010, the single family loan delinquencies had decreased to 10.21% and the multi-family delinquencies had decreased to 1.16% and that as of March 31, 2010, 207 single family homes were in the Authority's real estate owned portfolio.

Mr. Dolce reported that the lease-up rate in the Housing Choice Voucher Program is 97% and that housing choice vouchers have been issued to increase leasing to 98%. Mr. Dolce also reported that the Authority received 35 vouchers in January for homeless veterans and that all 35 had been issued with 32 now under lease. Mr. Dolce noted that the Authority will be receiving an additional 25 vouchers for homeless veterans in the near future.

Mr. Dolce presented a report on the single family loan delinquencies in the Authority's Ginnie Mae portfolio as of March 31, 2010. In this report, Mr. Dolce noted that the Authority's delinquencies in the Ginnie Mae portfolio were well within delinquency ratios specified by Ginnie Mae.

Mr. Dolce advised the Committee that the Authority's loan balance of the units that have to date been identified as being constructed with Chinese drywall is approximately \$1.2 million.

Mr. Ritenour and Ms. Watson presented a report on homeownership loan production for the period January 1, 2010 through March 31, 2010. In this report, Ms. Watson noted that 85% of the loan production was to households with incomes less than 80% of the state median income and that approximately 43% of loan production was to minority households. Ms. Watson reported that the average loan amount had decreased to approximately \$151,000. Ms. Watson also noted that the Authority had approved ten new originating lenders and on July 1, 2010 will begin open enrollment for originating lenders on a continual basis.

Mr. Ritenour and Mr. Hastings presented a report on multi-family loan production for the period of December 2, 2009 through April 6, 2010. In this report, Mr. Hastings advised the Committee that 28 developments consisting of 2,135 units had been approved for mortgage loans in the total principal amount of approximately \$103 million. Mr. Hastings also noted that more than 71% of the developments were supported with REACH funding.

Mr. Ritenour presented a report on the status of the disposition of the multi-family properties owned by the Authority. Mr. Ritenour stated that the Authority owns 11 unsold multi-family developments and that one development consisting of two adjacent properties is under contract.

Mr. Hawkins presented the emerging markets outreach report for the period February 1, 2010 through March 22, 2010. In this report, Mr. Hawkins stated that the Authority is working with the Old Dominion University's Community Development Corporation on creating workforce housing in the Norfolk area.

Mr. Hill presented an update on the Authority's marketing activities. Mr. Hill noted that the Authority is developing a DVD that provides contact information and loss mitigation instruction to its single family borrowers that are delinquent or in foreclosure.

Mr. Ritenour advised the Committee of the following recent matters: Virginia was one of two states to use all of its allocation the federal Tax Credit Assistance Program funds by the end of 2009; the Marshall & Swift Index being used by the Authority for the purpose of allocation of low-income housing tax credits will also be used by HUD for cost valuations of commercial and residential real estate; and 100% of the developments applying in 2010 for low-income housing tax credits have indicated in their applications that they are eligible for the points for “EarthCraft” developments.

There being no further business, the meeting of the Committee was adjourned at approximately 11:44 a.m. on April 13, 2010.

Minutes of the Meeting of the Audit Committee Held on April 13, 2010

The meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on April 13, 2010 at the Southwest Virginia Housing Center, 105 E. Main Street, Wytheville, Virginia.

Committee Yvonne Toms Allmond
Members Present John P. McCann
Manju Ganeriwala
Kit Hale
Gerald Hopkins

Others Present Arthur N. Bowen, III, Managing Director of Finance and Administration
Russ E. Wyatt, General Auditor
Barbara Blankenship, Managing Director of Human Resources
Janet Butler, Managing Director of Information Technology Services
Melody Barackman, Controller
Tammy Neale, Chief Learning Officer
Maria Barrow, Office Manager

Meeting Called to Order The meeting was called to order at 10:30 a.m. All of the members noted above as being present at the meeting were present at that time and remained present throughout the meeting.

Approval of the Minutes On motion duly made by Commissioner Hopkins and seconded by Commissioner McCann, the minutes of the Audit Committee meeting of December 2, 2009 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Report on Monthly Financials and Budget Comparisons Melody Barackman reviewed VHDA's February 2010 completed financial statements. She reported that eight months into the fiscal year, excess revenues before GASB 31 adjustments total \$43.8 million, \$1.7 million (or 3.5%) behind the plan. Investments have been negatively impacted by \$8 million of additional write-offs of certain mortgage-backed security holdings. These are off-set by unrealized gains in GASB 31 mark-to-market adjustments.

She reported that administrative expenses and discretionary spending are \$3 million ahead of budget. Programmatic expenses, though, are \$3 million over budget due to loan losses and loan loss provisions. In response to an observation by Commissioner Hopkins that we retain a certain level of reserves, she reported that we have two quarters yet to assess before year-end numbers and that we may have underestimated single family loan losses.

Contract Extension

Ms. Barackman reported that we have extended the annual audit contract with KPMG as permitted under the terms of the original contract approved by the Audit Committee. The contract extension will cover the annual audit for both fiscal years 2010 and 2011. We will go out with an RFP in 2011 to bid the audit contract.

Internal Audit Report

Russ Wyatt reported on the status of the Audit Schedule and reports issues since the last Committee meeting and indicated that the Audit Division is on track to complete the five-year schedule as planned and that no adverse reports have been issued since the Committee last met. He also reported 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 gave a brief history (for those new to the Audit Committee) on VHDA's implementation of SOX related concepts and a report on the implementation of the new Risk and Control Self-Assessment System which will be used by management to certify activity based controls for FY 2010 and ongoing.

Investment Policy

In response to a question by Commissioner McCann regarding a review of our investment policy in light of the current market conditions, Mr. Bowen stated that staff would look at this and would come back in about six months with a recommendation on the investment policy.

Adjournment

There being no further business, Commissioner Allmond moved for adjournment of the meeting at 11:03 a.m.

Russ E. Wyatt
General Auditor

Yvonne Toms Allmond
Chairman, Audit Committee

Minutes of the Meeting of the Operations Committee Held on April 13, 2010

The meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on April 13, 2010 at the Southwest Virginia Housing Center, 105 E. Main Street, Wytheville, Virginia.

Committee Yvonne Toms Allmond
Members Present John P. McCann
Manju Ganeriwala
Kit Hale
Gerald Hopkins

Others Present Arthur N. Bowen, III, Managing Director of Finance and Administration
Russ E. Wyatt, General Auditor
Barbara Blankenship, Managing Director of Human Resources
Janet Butler, Managing Director of Information Technology Services
Melody Barackman, Controller
Tammy Neale, Chief Learning Officer
Maria Barrow, Office Manager

Meeting Called to Order The meeting was called to order at 11:03 a.m. All of the members noted above as being present at the meeting were present at that time and remained present throughout the meeting.

Approval of the Minutes On motion duly made by Commissioner McCann and seconded by Commissioner Hale, the minutes of the Audit Committee meeting of December 2, 2009 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Rental Housing Bond Limitations Resolution Art Bowen reviewed the annual Bond Limitations Resolution for the multi-family program. The Resolution will provide for the sale and issuance of the Authority's multi-family Rental Housing Bonds through May 2011. This Resolution (i) sets forth the limitations on the bonds which are to be issued in a maximum principal amount of \$400 million and (ii) authorizes the use and distribution of the form of official statement for such bonds. He informed the Committee that the Resolution must be approved by the full Board. A motion to recommend approval by the Board of the resolution was made by Commissioner McCann and seconded by Commissioner Hale. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Salient Features Art Bowen discussed plans for an upcoming Rental Housing Bond issue to be issued in late April or early May, up to \$75 million tax-exempt bonds to finance up to 4 developments, expected to be rated Aa1/AA+ from Moody's and S&P respectively. The salient features memorandum is behind Tab 17.

In response to a question from Commissioner Ganeriwala, Mr. Bowen reported that VHDA does not use financial advisors.

Benefits Consultant Barbara Blankenship informed the Committee that VHDA will issue an RFP for a benefits consultant within the next four to five months. She reported on the work that the current benefits consultant provides and how we currently and ongoing negotiate the rate.

HR Update Ms. Blankenship then informed that per the discussion earlier that morning, VHDA plans to maintain the current salary budget. She said that she would like to get some feedback ideas on creative ways to provide incentives to associates. She led a discussion about incentives and the Commissioners offered ideas and suggestions.

Following this discussion, Ms. Blankenship said that she would take these suggestions and ideas and come back with a recommendation in June.

ITS Update Janet Butler handed out the ITS Program/Project Dashboard. Janet highlighted three specific programs.

1 - WEB Modernization Program - Under the Umbrella of this Program, the 2nd Project - Redesign of VHDA.com - went LIVE in PRODUCTION on Friday morning, December 4th (1 day ahead of schedule), which marked a major milestone for VHDA! After the implementation, the Program Team immediately began work on addressing some "parking lot" items that emerged during the execution of the Redesign of VHDA.com Project and the bulk of those items were implemented on March 22nd with (2) items remaining for an April implementation. Additionally, the Program Team is working closely with Sponsorship on an E-Strategy Initiative that will help to drive work efforts under the VHDA.org Project effectively and judiciously.

2. - Tax Credit Allocation - Phase I of this project was implemented into PRODUCTION on November 19th as scheduled. There were some minor enhancements that emerged out of User Acceptance Testing (UAT), which the business requested to be addressed. The Project Team is currently working on this development effort and implementation is targeted for June. The implementation of this business initiative provides an efficient and secure

ITS, continued

online application for users to submit their locality notifications, as well as providing a database of locality notification information to be utilized in reports and other documents during the Tax Credit Process.

3. NetOxygen Upgrade - The Project Team made tremendous strides in "shoring up" the target implementation date for this upgrade (moving it up from May 2010 to February 26, 2010). We had a dedicated NetOxygen consultant working with the Project Team from September thru the 1st week of March, which significantly helped maintain our positive forward momentum of this critical initiative. User Acceptance Testing (UAT) kicked off the week of February 1st and ran for (3) weeks while the Project Team prepared for PRODUCTION readiness and installation. The weekend of February 26th over the course of 26 hours, the Project Team successfully implemented the NetOxygen Upgrade, which marked a major milestone for VHDA! The Project Team is now addressing post-implementation tasks (i.e., removal of old servers, etc.) and project closure initiatives (i.e., project survey & project closure reporting).

OD&L Update

Tammy Neale gave an update on learning events and associate activities sponsored by her area. They are receiving an increasing number of requests for assistance in in-house coaching/mentoring, consulting, classroom training, in-house developed e-learning courses and wellness-related events. She and her team work carefully to provide cost-effective solutions to VHDA's associates by leveraging in-house programs along with tapping into programs through local colleges and universities. These are typically at a reduced cost than through the private sector. Also, they carefully monitor requests for external training and ensure Susan's approval for any training outside of Virginia.

Adjournment

There being no further business, Commissioner Allmond moved for adjournment of the meeting at 11:56 a.m.

Arthur N. Bowen, III
Managing Director of Finance &
Administration

Yvonne Toms Allmond
Chairman, Operations Committee