

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE ANNUAL MEETING OF THE COMMISSIONERS
HELD ON AUGUST 3 and 4, 2010

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the annual meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on August 3 and 4, 2010 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Gerald W. Hopkins, Chairman
Charles McConnell, Vice Chairman
John P. McCann
Nancy K. O'Brien
Yvonne T. Allmond
Marjorie N. Leon
Jacqueline T. Black
Manju Ganeriwala

COMMISSIONERS ABSENT:

Jay Fisette
Kermit E. Hale
William C. Shelton

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Managing Director of Finance and Administration
Barbara Blankenship, Managing Director of Human Resources
Janet W. Butler, Managing Director of Information Technology Services
Russ E. Wyatt, General Auditor
Tammy Neale, Chief Learning Officer
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
J. Judson McKellar, Jr., General Counsel
Michele G. Watson, Director of Homeownership Programs
John F. Hastings, Director of Multi-Family Development Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Paul M. Brennan, Deputy General Counsel
Melody S. Barackman, Controller
J. Michael Hawkins, Director of Community Housing
Barry Merchant, Policy Analyst
Michael Stoneman, Multi-Family Owned Property Portfolio Manager
Neal Rogers, Manager of Asset Management
Llewellyn C. Anderson, Strategic Planner
Ronald A. Reger, Strategic Planner

Scott Heiry, Business Intelligence Manager
Kathy Natale, Assistant Director of Business Systems
Robert Halloran, Marketing Director
Eric Bonetti, RPJ Housing

Chairman Hopkins called the meeting of the Committee of the Whole to order at 2:05 p.m. on August 3, 2010. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioners Ganeriwala, Leon and Black who joined the meeting in progress as noted below and thereafter remained present during the meeting of the Committee.

Mr. Ritenour, Mr. Rogers, Mr. Dolce, Mr. Stoneman and Ms. Barackman presented a report on risk in the Authority's multi-family loan portfolio. In their presentation, they discussed with the Commissioners the following topics: the status and recent trends in the multi-family loan portfolio; the analysis of the multi-family loan portfolio performed quarterly by the staff; the signs of property distress; the identification of developments on the watch list and on the troubled property list as high, medium and low risk; current trends for developments included on the watch list and troubled property list; trends in the Authority's multi-family loan delinquencies since 2003; the use by the Authority of loss mitigation; the pre-foreclosure and post-foreclosure processes followed by the Authority; the Authority's multi-family loan foreclosures in fiscal year 2010; the Authority's policy regarding selling or holding developments for future sale; the trends since 2007 in the Authority's actual multi-family loan losses and in the increase in the Authority's loan loss reserve; and the status of the Authority's loan loss reserves as of June 30, 2010. During this presentation, Commissioners Leon, Ganeriwala and Black joined the meeting.

Mr. Chandler reported on proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits and advised the Commissioners that the staff recommended the following changes: (i) the point categories for units for persons with disabilities be revised to allow elderly rehabilitation developments to be eligible for those points; (ii) the point category for EarthCraft or LEED certification be changed to a tiered point structure; (iii) the developer experience negative point category for uncorrected noncompliance be revised to allow compliance training in lieu of negative points; and (iv) the non-competitive preservation pool be suspended for calendar year 2011. The staff did not recommend any additional changes to the Qualified Allocation Plan since the state is developing a housing policy.

Ms. Dewey presented a report on the Authority's organizational performance for fiscal year 2010 and for the fiscal years 2008-2010 of the Authority's strategic plan. Ms. Dewey reviewed recent and current housing and bond market conditions, including the federal assistance provided in fiscal year 2010 in the New Issuance Bond Program, TCAP and exchange funds and the homebuyer tax credit. Ms. Dewey noted the shift in focus in fiscal years 2008-2010 to core single family programs that resulted in the termination of the Authority's Flex program in 2008 and the increased use of FHA insurance in the Authority's single family program. Ms. Dewey then reviewed the accomplishments in the multi-family program, including the implementation of the mixed income, mixed use program and the new initiatives in green building, universal design and management

agent certification. Ms. Dewey noted the Authority's reduction in administrative expenses in response to financial conditions. Ms. Dewey next reviewed the accomplishments by the Authority in achieving the goals and outcomes in the Authority's strategic plan for fiscal years 2008- 2010 in loan production, homeownership education, multi-family strategic lending, homeownership lending to African-American and Hispanic households, financing of mixed use, mixed income developments, management agent certification, generation of excess revenues, lease-up rate in the Housing Choice Voucher Program, and initiatives to improve organizational capacity and efficiencies. Following this report, Ms. Dewey presented and discussed with the Commissioners the Authority's Transitional Strategic Plan for fiscal year 2011 and quantitative and qualitative measures that are being considered for the goals and outcomes in the Transitional Strategic Plan.

Mr. Halloran and Ms. Natale presented a report on the Authority's eBusiness Strategy and discussed the following matters with the Commissioners: the goals of the Strategy; the Strategy development process; the components of the Strategy plan; the areas covered by the Strategy; the current state of eBusiness strategies among other state housing finance agencies; the current environment of eBusiness strategies; the relationship of the eBusiness goals to the Authority's organizational goals for fiscal year 2011; the eBusiness areas in which the Authority is currently working; and the next steps in implementing the Strategy.

Ms. Dewey distributed copies of the July edition of Virginia Town and Country published by the Virginia Municipal League that included articles about the Authority's mixed income, mixed use program, revitalization training, and planning grants.

The staff and Commissioners were given a walking tour of the recently renovated Virginia War Memorial. There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 6:00 p.m. on August 3, 2010.

Chairman Hopkins called the annual meeting of the Board of Commissioners to order at approximately 11:15 a.m. on August 4, 2010. 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 meeting of the Committee of the Whole and the regular meeting of the Commissioners held on June 8, 2010 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolutions entitled "Resolution in Recognition and Appreciation of the 35th Anniversary of the Jefferson Area Board for Aging," "Resolution in Recognition and Appreciation of the 30th Anniversary of the Federation of Appalachian Housing Enterprises" and "Resolution in Recognition and Appreciation of the 25th Anniversary of Virginia Beach Community Development

Corporation” dated August 4, 2010, in the forms attached hereto were approved 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 Establishing Meeting Dates of the Board of Commissioners from January 1, 2011 through June 30, 2011” dated August 4, 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 and seconded, the resolution entitled “Resolution in Recognition and Appreciation of Jay Fiset” dated August 4, 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 and seconded, the resolution entitled “Resolution in Recognition and Appreciation of the 2000-2010 Fiscal Decade of the Virginia Housing Development Authority” dated August 4, 2010, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Ms. Dewey advised the Commissioners that this resolution would be distributed to the staff, together with a cover letter from Chairman Hopkins.

Chairman Hopkins, on behalf of the Committee of the Whole, summarized the reports received and discussed by the Committee on risk in the Authority’s multi-family loan portfolio, proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits, the Authority’s organizational performance for fiscal year 2010 and for fiscal years 2008-2010, and the Authority’s eBusiness Strategy.

Commissioner O’Brien, on behalf of the Programs Committee, reported that the Committee had discussed the proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits and had authorized the staff to proceed with the public notice and hearing on the four recommended changes, as discussed at the meeting of the Committee of the Whole on August 3, 2010. Commissioner O’Brien reported that the Committee had received and discussed a staff report and recommendations on the reallocation of federal low-income housing tax credits and TCAP and exchange funds due to the exchange program not being extended by the U.S. Congress and the return of a TCAP allocation by one development and that the Committee had concurred with the proposed reallocations as recommended by the staff. Commissioner O’Brien advised the Commissioners that the staff had reported to the Committee that staff members met with representatives of the Alexandria Redevelopment and Housing Authority and VOICE and that, as a result of the meeting, the staff was able to resolve the issues relating to the “right sizing” transfers of tenants in James Bland public housing units. Commissioner O’Brien summarized the staff reports that had been received and discussed by the Committee on homeownership and multi-family loan delinquencies. Commissioner O’Brien reported that the Committee had received and discussed a staff report on the status of leasing in the Housing Choice Voucher Program and a report on the annual Section 8 Management Assessment Program Certification for the Section 8 Housing Choice Voucher Program for 2010 and recommended approval of the resolution approving and authorizing the execution of such Certification. Commissioner O’Brien

moved approval of the resolution entitled “Resolution Approving Housing Choice Voucher Section 8 Management Assessment Program Certification” in the form attached hereto. This motion 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 following matters: 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 marketing activities.

Commissioner Allmond, on behalf of the Audit Committee, reported that the Committee had received a report from KPMG on the status of its audit of the Authority’s financial statements for fiscal year 2010. Commissioner Allmond summarized the reports received and considered by the Committee on the Authority’s monthly financials and budget comparisons for the period ended June 30, 2010 and on the status of the internal audit schedule, reports and recommendations.

Commissioner Allmond, on behalf of the Operations Committee, reported that the Committee had received and discussed a staff report and recommendations on the selection of law firms to serve as the Authority’s bond counsel, special tax counsel, disclosure counsel and outside counsel and recommended approval of the selection of the following law firms: Hunton & Williams LLP as bond counsel; Hawkins Delafield & Wood LLP as special tax counsel and disclosure counsel; and McGuireWoods LLP and Harrell & Chambliss LLP as outside counsel. Commissioner Allmond moved that the selection of the law firms be approved as recommended by the Committee, subject to successful negotiations of their legal services contracts. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Allmond advised the Commissioners that the Committee had requested the staff to prepare guiding principles for the Board which would be distributed to the Commissioners for review and comment prior to the next Board meeting. Commissioner Allmond summarized the staff reports that had been received and considered by the Committee on the salient features of the Authority’s proposed Rental Housing Bonds, 2010 Series D, anticipated increases in the costs of employee health insurance for calendar year 2011, the status of information technology projects, and recent activities sponsored by the Organizational, Development and Learning Division.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: the NCSHA Annual Conference in Boston on October 2-5, 2010; the Board and Committee meetings on October 12 and 13, 2010 and December 7 and 8, 2010; the Governor’s Housing Conference in Richmond on November 17-20, 2010; the meeting of the Audit Committee on September 16, 2010; possible locations for the Board retreat in April 2011; the recent meetings of the Foreclosure Task Force and the Housing Policy Advisory Committee and Work Group; recognition of Mike Hawkins, Cara Wallo, Jim Chandler and Paul Brennan who have worked in the low-income housing tax credit program for more than 15 years; and usage of the Virginia Housing Center by over 10,000 persons from more than 40 different groups. Following this report, Mr. McKellar advised the Commissioners as to the status of the litigation on The Views at Clarendon.

Chairman Hopkins, on behalf of the Executive Committee, reported that the Committee had discussed the performance of Ms. Dewey and advised the Commissioners as to the recommendations of the Committee for her total compensation for fiscal year 2011. Commissioner McCann moved that Ms. Dewey's total compensation for fiscal year 2011 be approved, as recommended by the Executive Committee. This motion was seconded by Commissioner Allmond and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner McCann, on behalf of the Executive Committee, reported that the Committee recommended the nomination of Commissioner McConnell for Chairman and Commissioner Allmond for Vice Chairman. Chairman Hopkins then declared the floor open for nominations for Chairman. Commissioner McCann nominated Commissioner McConnell, and Commissioner O'Brien seconded the nomination. There being no further nominations, the floor was closed. Commissioner McConnell was elected Chairman by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Hopkins then declared the floor open for nominations for Vice Chairman. Commissioner McCann nominated Commissioner Allmond, and Commissioner O'Brien seconded the nomination. There being no further nominations, the floor was closed. Commissioner Allmond was elected Vice Chairman by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner McConnell expressed his appreciation and commended Commissioner Hopkins for his excellent service as Chairman during the preceding two years.

There being no further business, the meeting was adjourned at approximately 12:28 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 AUGUST 4, 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 August 4, 2010 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia 23220.

COMMITTEE MEMBERS PRESENT:

Nancy K. O’Brien, Committee Chairman
Charles McConnell
Marjorie N. Leon
Jacqueline Black

OTHER COMMISSIONERS PRESENT

John P. McCann
Yvonne Allmond
Gerald W. Hopkins
Manju Ganeriwala

COMMITTEE MEMBERS ABSENT:

Jay Fisette
William C. Shelton

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
Mike Stoneman, Multi-Family Owned Property Portfolio Manager
Art Bowen, Managing Director of Finance and Administration
Russ Wyatt, General Auditor
Tammy Neale, Chief Learning Officer
Barbara Blankenship, Managing Director of Human Resources
Paul Brennan, Deputy General Counsel
Llewellyn C. Anderson, Strategic Business Planner

The meeting of the Programs Committee was called to order by Committee Chairman O'Brien at approximately 9:02 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, except Commissioner Black who joined the meeting in progress as noted below and thereafter remained present during the meeting of the Committee.

On motion duly made and seconded, the minutes of the meeting of the Committee held on June 7, 2010 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Chandler presented a report on eight proposed changes to the Authority's Qualified Allocation Plan for the federal low-income housing tax credits and advised the Commissioners that the staff recommended the following four changes: (i) the point categories for units for persons with disabilities be revised to allow elderly rehabilitation developments to be eligible for those points; (ii) the point category for EarthCraft or LEED certification be changed to a tiered point structure; (iii) the developer experience negative point category for uncorrected noncompliance be revised to allow compliance training in lieu of negative points; and (iv) the non-competitive preservation pool be suspended for calendar year 2011. Following this discussion, Commissioner McConnell moved that the staff proceed with the public notice and hearing to obtain public comment on the proposed changes to the Authority's Qualified Allocation Plan, as recommended by the staff. This motion was seconded by Commissioner Leon and was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Chandler next presented a report summarizing the reallocation of federal low-income housing tax credits and TCAP and exchange funds to developments due to the exchange program not being extended by the U.S. Congress, as well as the return of a TCAP allocation by one development. After a discussion, it was the consensus of the Committee that the staff proceed with the reallocation as described in the report. During this discussion, Commissioner Ganeriwala joined the meeting.

Mr. Chandler also reported on a meeting of representatives of the Authority, Alexandria Redevelopment Housing Authority (ARHA) and VOICE regarding the relocation and transfer of tenants in James Bland public housing units. Mr. Chandler reported that the ARHA Board approved on July 26, 2010 a resolution which establishes an ARHA initiated transfer policy and provides a compensation payment standard to eligible households transferred due to moves which were not part of the redevelopment of the first phase of the James Bland Apartments. Mr. Chandler advised the Committee that the adoption of this resolution should resolve the issue of tenant "right sizing" transfers. Following this report, Commissioner Black joined the meeting and Commissioners Allmond, Hopkins, Ganeriwala, and McCann left the meeting.

Mr. Dolce presented reports on the delinquencies and foreclosures in the homeownership and multi-family loan portfolios. In this report, Mr. Dolce noted that in

June 2010 the single family loan delinquencies increased to 11.21% and the multi-family loan delinquencies increased to 1.51%.

Mr. Dolce reported that the lease-up rate in the Housing Choice Voucher Program was 95.8% for the fiscal year. Mr. Dolce noted that the Authority had received 85 additional vouchers to issue to homeless veterans and will be applying for 200 additional vouchers for non-elderly disabled households. Mr. Dolce next reported on the annual Section 8 Management Assessment Program Certification (“SEMAP Certification”) for the Section 8 Housing Choice Voucher Program for 2010 and presented a resolution to approve and authorize the execution of the SEMAP Certification. Commissioner McConnell moved that the Committee recommend approval of the resolution entitled “Resolution Approving Housing Choice Voucher Section 8 Management Assessment Program Certification”. 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. Dolce presented a report on the single family loan delinquencies in the Authority’s Ginnie Mae portfolio as of July 1, 2010. In this report, Mr. Dolce noted that the Authority’s delinquencies in the Ginnie Mae portfolio continue to be well within the requirements of Ginnie Mae.

Mr. Dolce advised the Committee that the total loan balances on units currently financed by the Authority with defective drywall is approximately \$1.35 million.

Mr. Dolce next reported that the number of phone calls received by VHDA’s Contact Center had decreased to 4,205 and that the majority of the contacts came from Richmond followed by Northern Virginia and Hampton Roads.

Ms. Watson presented a report on homeownership loan production for the 2010 fiscal year. In this report, Ms. Watson noted that 4,239 loans had been financed in the principal amount of \$629 million. Ms. Watson also reported that 82% of the production was to households with incomes less than 80% of the state median income and 41% of production was to minority households. Ms. Watson noted that current production had decreased by an estimated 30% from July 2009.

Mr. Hastings presented a report on multi-family loan production for June 2010. In this report, Mr. Hastings advised the Committee that eight developments consisting of 452 units had been approved for mortgage loans in the total principal amount of approximately \$23 million. Mr. Hastings also noted that all of the developments were supported with REACH funding.

Mr. Stoneman presented a report on the status of the disposition of the multi-family developments owned by the Authority. Mr. Stoneman reported that the portfolio currently consists of 11 developments that are not sold or under contract. Mr. Stoneman also reported that there were no new acquisitions since the report in June.

Mr. Hawkins presented reports on the Authority's outreach to the African American and Hispanic markets between May 2010 and July 2010. In this report, Mr. Hawkins stated that the REACH Team had conducted the first Harvest Project Neighborhood Revitalization Training in Suffolk in June which involved the participation of several faith-based organizations in the Hampton Roads region. Mr. Hawkins also reported that the Virginia Housing Search Initiative finished a strong first year having 61,343 rental units registered during the year and 180,561 basic searches conducted by households and organizations seeking available units.

Mr. Hill presented an update on the Authority's marketing activities. In this presentation, Mr. Hill noted that the Authority developed two television shows on "How to Buy a Home" which will air at no cost on public access and local government TV stations across Virginia.

Mr. Chandler and Mr. Ritenour informed the Committee that the application for low-income housing tax credits for Central City South, also known as The Wilden, had been withdrawn by the developer and that the credits allocated to this development would be reallocated. Mr. Chandler also noted that this would reduce the reallocation of 2011 credits that is necessary because the exchange program has not been extended by the U.S. Congress.

There being no further business, the meeting of the Committee was adjourned at approximately 11:06 a.m.

Minutes of the Meeting of the Audit Committee Held on August 4, 2010

The meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on August 4, 2010 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Yvonne Toms Allmond
Members Present John P. McCann
Manju Ganeriwala

Others Gerald Hopkins
Commissioners Present

Others Present Arthur N. Bowen, III, Managing Director of Finance and Administration
Russ E. Wyatt, General Auditor
Barbara Blankenship, Managing Director of Human Resources
Melody Barackman, Controller
Tammy Neale, Chief Learning Officer
Susan F. Dewey, Executive Director
J. Judson McKellar, Jr., General Counsel
Rob Churchman, KPMG
Kathy Glass, KPMG
Maria Barrow, Office Manager

Meeting Called to Order The meeting was called to order at 9:45 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 Hopkins, the minutes of the Audit Committee meeting of June 7, 2010 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

KPMG Update on Year-end Audit Rob Churchman and Kathy Glass discussed the status of the 2010 audit. They reported that the interim fieldwork accomplishments are: identified significant risks and set the audit strategy; prepared and presented the audit plan to the Audit Committee on June 7; agreed logistics and coordination with Internal Audit; performed test of controls over entity level controls and significant accounts; reviewed VHDA's methodology used in estimating mortgage loan allowance for loan losses; provided detailed investment data to KPMG valuation specialist for review and pricing; KPMG information technology team performed test work over system general controls and reviewed LPS and

**KPMG Update
on Year-end
Audit (cont'd)**

McCracken SAS 70 reports; performed A-133 planning and interim testwork – three major programs tested to date; additional two programs to test during final field work. They reported that next steps are: perform testing over year-end financial statements and related balances and disclosures; evaluate investment pricing data received from KPMG valuation specialist; coordinate receipt of investment and loan receivable confirmations with Internal Audit; review Internal Audit GNMA test work and supporting work papers; year-end field work scheduled for August 16 – September 17, 2010. They stated that they will work with Melody Barackman to send the Committee a draft of the financials in advance of the September 16 Audit Committee meeting and plan to issue the financials on September 20, which meets the State deadline. They reported that they will also do the REAC filing prior to December 31, 2010.

**Report on
Monthly
Financials and
Budget
Comparisons**

Melody Barackman reviewed VHDA's June 2010 financial highlights. Preliminary results for full year FY 10, excess revenues before GASB adjustments totals \$60.7 million, or \$2.3 million short of plan. She explained that unanticipated multi-family property losses for \$10.0 million were recognized, primarily as a result of declines in appraisal values.

She also reported that mortgage loan interest income exceeded plan by \$15.8 million. She reported that investment results were negatively impacted by \$27.2 million for write-downs of mortgage-backed security holdings, but GASB 31 unrealized gains of \$41.6 million will offset these in the audited annual statement.

She explained that administrative expenses and discretionary spending performed better than plan by \$1.4 million, with the largest savings occurring in technology-related costs (\$1.2 million).

She stated that programmatic expenses exceeded budget, with the cost of loan losses and loss provisions totaling \$53.2 million. She reported that actual losses on single-family loans arising from short sales, foreclosure costs or REO market declines totaled \$22.1 million, that owned multi-family property values declined by \$8.3 million, and that reserve provisions totaled \$5.8 million for single family and \$19.5 million for multi-family, resulting in 2.25% reserves for uninsured single family loan balances and 1.7% for multi-family balances.

She stated that total assets increased to \$9.7 billion, net assets increased by \$102.4 million or 4.8% and excess capital totals \$2.2 billion or 22.7% of total assets.

Internal Audit Report

Russ Wyatt reported on the status of the Audit Schedule and reports issued since the last Committee meeting. He reported that two audits were completed since the last committee meeting and that four other audits and tasks are in progress. Russ also reported that no adverse reports were issued since the last committee meeting and the Audit Division is on track to complete the 5-year schedule as planned. Additionally, Russ indicated that management has successfully addressed all control concerns that were previously reported to the Audit Committee. Finally, Russ reported that the new risk and control self assessment process has taken place for FY 2010 and all division directors have certified that activity based controls within their operational processes are in place and functioning as designed.

Russ also reported that select Leadership and Investment staff will review the current investment policies and practices in light of new market realities and will make changes accordingly. Art reported that staff will bring back to the October meeting proposed revisions to the policy.

Adjournment

There being no further business, Commissioner Allmond moved for adjournment of the meeting at 10:43 a.m.

Russ E. Wyatt
General Auditor

Yvonne Toms Allmond
Chairman, Audit Committee

Minutes of the Meeting of the Operations Committee Held on August 4, 2010

The meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on August 4, 2010 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Yvonne Toms Allmond
Members Present John P. McCann
Manju Ganeriwala

Others Gerald Hopkins
Commissioners Present

Others Present Arthur N. Bowen, III, Managing Director of Finance and Administration
Russ E. Wyatt, General Auditor
Barbara Blankenship, Managing Director of Human Resources
Melody Barackman, Controller
Tammy Neale, Chief Learning Officer
Susan F. Dewey, Executive Director
J. Judson McKellar, Jr., General Counsel
Shelia Phillips, Assistant Director of Project Management
Maria Barrow, Office Manager

Meeting Called to Order The meeting was called to order at 10:43 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 Hopkins, the minutes of the Audit Committee meeting of June 7, 2010 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Counsel Selection Judson McKellar reported that the staff issued RFPs in April for bond counsel and special tax counsel and for outside counsel. He explained that bond counsel provides the approving opinion for the Authority's bonds, special tax counsel provides the opinion on the tax exemption of the Authority's bonds, and outside counsel provides general legal services, principally relating to litigation, employment matters, and multi-family loan foreclosures and bankruptcies. He further explained that currently Hunton & Williams serves as bond counsel, Hawkins, Delafield & Wood serves as special tax counsel,

Counsel Selection
(cont'd)

and McGuireWoods and Harrell & Chambliss serve as outside counsel. He advised the members of the Committee that during the RFP process, the staff decided to select separately a firm designated “Disclosure Counsel” which would provide the opinion and services of bond counsel relating to compliance with federal securities laws that govern disclosure in the Authority’s official statements. He stated that, based on the proposals and the interviews, the staff recommends the selection of the following firms, subject to successful negotiations of their legal services contracts:

1. Bond counsel: Hunton & Williams
2. Special tax counsel and disclosure counsel: Hawkins
Delafield & Wood
3. Outside counsel: McGuireWoods and Harrell & Chambliss

On a motion duly made by Commissioner Ganeriwala and seconded by Commissioner McCann, the Committee approved a resolution to recommend approval by the Board of the selection of the law firms, as recommended by the staff, subject to successful negotiation of their legal services contracts.

Board Guiding Principles

Susan Dewey reported that many contemporary governance bodies operate under a set of guiding principles to help direct their conduct and behavior. She explained that currently VHDA operates under two separate codes of conduct for the Board and associates. She recommend that the VHDA Board of Commissioners update/revise their current code to develop a more current set of guiding principles that would apply solely to VHDA Board of Commissioners. She explained that associates would continue to be governed by a separate personnel policy. She stated that staff will develop a draft of the guiding principles for the Board to review in advance of the October meeting, at which time, if they approve, the Board would rescind the current Code of Conduct for the Board and adopt the guiding principles.

Salient Features

Art Bowen reviewed a salient features memorandum for an upcoming tax-exempt multifamily bond issue totaling up to \$80 million. He explained that the bonds will use up to \$80 million in private activity bond allocation, and are expected to be rated Aa1 / AA+ by Moody's and Standard & Poor's, respectively.

HR Update

Barbara Blankenship reported on the anticipated increase in health care costs. She explained that our contract with the current carrier will expire next year. Barbara advised that she will keep the Committee updated over the next year on this issue.

Program Project Update

Susan Dewey informed the Committee that the Project Management office has moved from ITS to PP&C.

Shelia Phillips reported that the PMO's Portfolio of Programs & Projects (a total of ten - three of which are large programs with multiple projects underneath the Program umbrella) are progressing at a steady pace, with 90% of them being in a green status. She advised that on ERP, they are validating and preparing the final Statement of Work and are moving forward effectively. She stated that they will provide a more complete report in October.

OD&L Update

Tammy Neale gave an update on Organizational Development and Learning activities. She stated that in July VHDA re-introduced an internal electronic newsletter. She stated that this weekly email provides updates from the Leadership Team, information on associate activities and general announcements. Tammy distributed a hard copy of the newsletter.

She also reported that VHDA is getting ready to roll-out the first mandatory training for 2010 on Professional Use of Email at VHDA, which covers Email Etiquette, Freedom of Information Act requirements and offers tips on how to make the best use of this communication tool.

She also reported on the new Suggestion Program designed to elicit process improvement ideas from associates. She also mentioned that there will be a process for recognizing associates for their suggestions.

Tammy reported that VHDA associates now have access to quick learning opportunities called "Experience Talks" through the Knowledge Center. VHDA associates can now see and hear from recognized business leaders with a click of their mouse. These four to six minute vignettes provide real world experiences that is being incorporated into associate development.

Adjournment

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

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

Yvonne Toms Allmond
Chairman, Operations Committee

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON AUGUST 3, 2010

Pursuant to the call of the 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 August 3, 2010 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Gerald W. Hopkins, Chairman
Charles McConnell
Yvonne T. Allmond
Nancy K. O'Brien
John P. McCann

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Barbara Blankenship, Managing Director of Human Resources

Chairman Hopkins called the meeting of the Committee to order at approximately 6:30 p.m. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Susan Dewey reviewed the process for Board nominations with the Committee. Following a discussion of this process, Ms. Dewey left the meeting.

The members of the Committee reviewed the information on Ms. Dewey's performance for fiscal year 2010 that had been provided by Ms. Blankenship. The members of the Committee discussed the options for merit and bonus and decided on the total compensation that the Committee would recommend to the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 7:30 p.m.

HOUSING FOR VIRGINIA, INC.

**MINUTES OF THE
ANNUAL MEETING OF SHAREHOLDERS**

August 4, 2010

The 2010 annual meeting of the shareholders of HOUSING FOR VIRGINIA, INC. was called to order at the Virginia Housing Center, the principal office of the Company, 601 South Belvidere Street, Richmond, Virginia, on August 4, 2010, at approximately 1:30 p.m. (Richmond Time), by Thomas A. Dolce, President of the Company. Mr. Dolce announced that he would act as Chairman and Secretary of the meeting.

The Chairman announced that the stated purposes of the 2010 annual meeting of shareholders were: (1) to elect the full board of five directors for the ensuing year; and (2) to transact such other business as may properly come before the meeting.

The Chairman noted the attendance of the sole shareholder of the Company. He then declared that the 2010 annual meeting of shareholders had been duly convened and that a quorum of the shareholders was present at the meeting for the transaction of all business to come before the meeting.

The Chairman stated that it was in order to proceed to the election of directors. The Chairman then asked the sole shareholder of the Company to vote its choices in the election of directors.

Susan F. Dewey then identified herself as the Executive Director of the Virginia Housing Development Authority, the sole shareholder of the Company, and that as such she was authorized to vote all shares of common stock of the Company held by the Virginia Housing Development Authority. She then proceeded to vote all shares of

the common stock of the Company held by the Virginia Housing Development Authority for the nomination and election of each of the following persons as a director of the Company to serve until the next regular annual meeting of the shareholders of the Company or until his or her successor is elected and qualified: Susan F. Dewey, Donald L. Ritenour, Thomas A. Dolce, J. Judson McKellar, Jr., and Arthur N. Bowen, III.

The Chairman then declared that each of the director nominees was elected as a director of the Company to serve until the next regular annual meeting of the shareholders of the Company or until his or her successor is elected and qualified.

There being no further business to be conducted, the meeting was adjourned upon the vote of the holder of all the issued and outstanding common stock of the Company.

Thomas A. Dolce
Chairman and Secretary of the Meeting

HOUSING FOR VIRGINIA, INC.

**MINUTES OF THE
ANNUAL MEETING OF THE BOARD OF DIRECTORS**

August 4, 2010

The 2010 annual meeting of the Board of Directors of HOUSING FOR VIRGINIA, INC. (the “Company”) was called to order at the Virginia Housing Center, the principal office of the Company, 601 South Belvidere Street, Richmond, Virginia, on August 4, 2010, at approximately 1:35 p.m. (Richmond Time), by Thomas A. Dolce, President of the Company. Mr. Dolce announced that he would act as Chairman and Secretary of the meeting.

The Chairman noted that three of the five members of the Board of Directors, Susan F. Dewey, J. Judson McKellar, Jr., and himself, were present at the meeting. He then declared that the 2010 annual meeting of Board of Directors had been duly convened and that a quorum of the directors was present at the meeting for the transaction of all business to come before the meeting.

The Chairman then stated that it was in order to proceed to the election of officers. On motion made, seconded and by the unanimous votes of Ms. Dewey, Mr. Dolce and Mr. McKellar, the following persons were elected as officers, each of whom shall serve until the next annual meeting of the Board of Directors or until his successor is and qualified:

Thomas A. Dolce	.	-	President
Arthur N. Bowen, III		-	Vice President and Treasurer
J. Judson McKellar, Jr.		-	Vice President and Secretary

There being no further business to be conducted, upon a motion duly made, seconded and unanimously carried, the meeting was adjourned.

Thomas A. Dolce
Chairman and Secretary of the Meeting