

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE RETREAT MEETING OF THE COMMISSIONERS
HELD ON MARCH 30, 2008 THROUGH APRIL 1, 2008

Pursuant to the call of the Chairman and notice duly given, the retreat meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") was held on March 30, 2008 through April 1, 2008 at the Williamsburg Lodge, 310 South England Street, Williamsburg, Virginia.

COMMISSIONERS PRESENT:

John P. McCann, Chairman
Douglas R. Fahl, Vice Chairman
Jay Fiset
Charles McConnell
William C. Shelton
Gerald W. Hopkins
J. Braxton Powell
Jacqueline T. Black
Nancy K. O'Brien
Yvonne T. Allmond

COMMISSIONER ABSENT:

Edward L. McCoy

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 N. Taylor, Managing Director of Organizational Development and Learning
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Russ E. Wyatt, General Auditor
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, Organizational Development Manager
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Melody S. Barackman, Controller
Llewellyn C. Anderson, Strategic Planner
J. Michael Hawkins, Director of Community Housing
Barry Merchant, Policy Analyst
Scott Heiry, Business Intelligence Manager
Patrick Carey, Finance Director
Rick Hanson, James City County Office of Housing and Community Development
Acquanetta Ellis, City of Norfolk Department of Planning and Community Development
Kathy Warren, Portsmouth Redevelopment and Housing Authority

Steve Cooper, S. L. Nusbaum Realty

No public business was discussed or transacted at the dinner on March 30, 2008.

Chairman McCann called the retreat meeting of the Commissioners to order at 8:50 a.m. on March 31, 2008. All of the Commissioners listed above as present at the meeting were present at that time.

Mr. McKellar presented a report on the major legislation relating to housing that had been introduced during the 2008 Session of the General Assembly.

Mr. Bowen and Mr. Carey presented a report on the status of the bond financing of the Authority's programs. In this report, Mr. Bowen discussed with the Commissioners the following issues: the strong demand for the Authority's single family loans and the stable demand for the Authority's multi-family loans; the current state of the taxable and tax-exempt bond markets; the Authority's financing alternatives, including the blending of taxable and tax-exempt bond funds, the recycling of single family prepayments into new mortgage loans, the issuance of single family tax-exempt bonds by competitive sale, the issuance of taxable single family mortgage backed securities and taxable multi-family bonds by private placement, and the issuance of taxable synthetic fixed rate single bonds by means of the issuance of variable rate bonds in conjunction with interest rate swaps, and the sale of conforming single family loans to Government Sponsored Enterprises, such as Fannie Mae; the expected impact of the Authority's bond financings on loan production; and the need for flexibility to select financing structures and methods of sale as market conditions warrant. Mr. Bowen next reviewed a report on state housing finance agencies prepared by Moody's Investors Service. Following this report, Mr. Chandler advised the Commissioners as to the status of the market for federal low-income housing tax credits. Commissioner Hopkins expressed the Board's appreciation for the hard work and creativity of the staff involved with the bond financings in this difficult market.

Ms. Dewey reported on the activities of the Virginia Foreclosure Prevention Task Force, including the following: (i) the proposed focus group meetings and regional roundtables with local government officials to discuss foreclosure rates, the impacts of foreclosure on their communities, responses and best practices; (ii) the education and outreach efforts for borrowers at risk of foreclosure, including the initiatives to train foreclosure counselors, to conduct a media campaign, to hold regional outreach events, and to create a foreclosure prevention web site; and (iii) the regulatory reform efforts, including the introduction of SB 797 that will provide to borrowers in default on "high risk" loans a notice and 30-day opportunity to negotiate work-outs of their loan defaults. Ms. Dewey noted that significant staff resources were required to support this effort.

Mr. McKellar presented staff recommendations to revise the Authority's policy on the financing of leasehold interests as set forth in the "Resolution Adopting Policy on the Financing of Leasehold Estates" dated October 31, 2006. Following a discussion of the recommendations, it was the consensus of the Commissioners that the staff discuss the revision with the Authority's advisory boards whose members would be affected and

that the staff present final recommendations and a proposed resolution at the next meeting of the Commissioners on May 6, 2008 to revise such policy.

After lunch, a panel composed of Mr. Hanson, Ms. Ellis, Ms. Warren and Mr. Cooper addressed the Commissioners on housing issues in the Hampton Rhoads area. In his report, Mr. Hanson reviewed the James County Employer Assisted Home Ownership Program and other programs and activities in James City County to provide housing in James City County. Ms. Ellis reported on the design and planning services provided by the City of Norfolk for neighborhood revitalization and the programs operated by the City of Norfolk with the financial support of the Authority to assist homebuyers to purchase their homes. Ms. Warren reviewed the Hope VI and mixed income, mixed use developments being constructed or planned in the City of Portsmouth and the use by the City of Portsmouth of the Authority's SPARC funds to assist the purchase of single family homes. Mr. Cooper reported on recent multi-family developments by S. L. Nusbaum Realty and advised the Commissioners as to the challenges in developing multi-family housing in the Hampton Rhoads area. The panelists stressed the importance of the housing assistance provided by the Authority and expressed their appreciation for the support and cooperation of the Authority in providing that assistance.

Mr. Ritenour presented the staff recommendations that would establish a definition and criteria for mixed income, mixed use developments. After a discussion of these recommendations, it was the consensus of the Commissioners that the staff proceed with the drafting of proposed amendments to the Authority's Rules and Regulations for Multi-Family Housing Developments which would provide for such definition and criteria, that the staff obtain public input from interested parties and hold a public hearing on the proposed amendments, and that the final proposed amendments be presented to the Commissioners for approval at the meeting of the Commissioners to be held on August 6, 2008.

Mr. Reger presented a report summarizing the results of the survey of the Authority's associates. In this report, Mr. Reger discussed with the Commissioners the percentage changes in certain key responses and reviewed the responses to certain new questions relating to Enterprise Risk Management.

The staff and Commissioners took a bus tour of the New Town area after which the retreat meeting was recessed.

The retreat meeting of the Commissioners was reconvened at 8:55 a.m. on April 1, 2008. All of the Commissioners listed above as present at the meeting were present at that time, except Commissioner Fisette who joined the meeting in progress as noted below.

Ms. Dewey presented a report on the status of the Authority's strategic plan, goals and outcomes. In this report, Ms. Dewey noted the change in short-time priorities as a result of increased demand for the Authority's capital, the inability to raise adequate new capital for the Authority's existing programs, the significantly heightened single family lending risks, and the commitments required to support the Virginia Foreclosure Prevention Task Force. Ms. Dewey also discussed with the Commissioners each of the

recommended changes to the strategic outcomes. At this point, Commissioner Fisette joined the meeting. During the discussion of the strategic outcome entitled “Investment in locally supported housing efforts,” it was agreed that outcome 5 should be revised to delete “SF.” It was the consensus of the Commissioners that the staff proceed with the recommended changes to the strategic outcomes, as so revised.

Ms. Barackman presented a report on the Authority’s loan loss reserves. In this report, Ms. Barackman discussed the definition and purpose of loan loss reserves, the difference between the loan loss allowance and provision, the risk factors for single family and multi-family loans, the calculation of the loan loss reserves for single family and multi-family loans, the amounts of the loan loss allowances and provisions as of June 2007 and December 2007, and the process and expectations for the calculation of the loan loss reserves for the fiscal year ending June 30, 2008.

Mr. Bowen presented a report on the outlook for the Authority’s budget for fiscal year 2009. In this report, Mr. Bowen reported on the current status of the fiscal year 2008 budget, the process for the development of the fiscal year 2009 budget, and the budget drivers for the fiscal year 2009 budget, including loan production, investment income, foreclosure prevention activities, staff compensation, Authority owned property, Housing Choice Voucher administration, improvements to the Wytheville office and the Authority’s headquarters, technology maintenance and projects, loan losses, and in-house single family loan servicing.

Mr. Ritenour, Ms. Watson and Mr. Hastings presented a report on the preliminary allocation of REACH funds for fiscal year 2009. In this report, Mr. Ritenour discussed with the Commissioners the revised allocations for fiscal year 2008 and the recommendations for any changes in those allocations for fiscal year 2009. Upon the conclusion of this discussion, it was the consensus of the Commissioners that the staff proceed with the allocation of REACH funds for fiscal year 2009 in accordance with the staff recommendations and that the staff present a report at the May meeting of the Commissioners on the dollar amounts and program details for the fiscal year 2009 allocations.

Ms. Dewey’s presented her report on operations in which she advised the Commissioners of the following matters: the sale of \$220 million of single family bonds on the morning of the meeting; the meetings of the Board of Commissioners on May 5th and 6th and August 5th and 6th at the Authority’s headquarters; the Authority’s participation with Habitat for Humanity in Danville on April 11th-13th and with Rebuilding Richmond Together on April 26th; and the Authority’s annual charity golf tournament on May 22nd.

There being no further business, the meeting was adjourned at approximately 12:18 p.m. on April 1, 2008.

John P. McCann, Chairman

J. Judson McKellar, Jr.

Assistant Secretary