

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON SEPTEMBER 30 AND OCTOBER 1, 2008

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on September 30 and October 1, 2008 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
Jay Fisette
William C. Shelton
Jacqueline T. Black
Nancy K. O'Brien
Yvonne T. Allmond
Kermit E. Hale
Marjorie N. Leon

COMMISSIONER ABSENT:

J. Braxton Powell

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 N. Taylor, Managing Director of Organizational Development and Learning
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
J. Judson McKellar, Jr., General Counsel
John F. Hastings, Director of Multi-Family Development Programs
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Paul M. Brennan, Deputy General Counsel
Patrick J. Carey, Finance Director
Robert Halloran, Marketing Director
Richard Rupertus, Assistant Director of ITS Operations

Brenda Brophy, Development Officer Manager
J. Michael Hawkins, Director of Community Housing
Barry Merchant, Policy Analyst
Llewellyn C. Anderson, Strategic Planner
Melody S. Barackman, Controller
Ronald A. Reger, Strategic Planner
Scott Heiry, Business Intelligence Manager
Sheila Phillips, Assistant Director of Project Management
Kathy Natale, Assistant Director of Business Systems
Jesse Adams, Intern
Jade Johnson, Intern
Tiffany Nason, Intern
Kwame Opong, Intern
Ndidia Ugwu, Intern
Douglas R. Fahl, former Commissioner of the Authority
Robert Schaberg, Virginia Non-Profit Housing Coalition
Anna Lou Schaberg, Virginia Non-Profit Housing Coalition
Elizabeth Byrd, Virginia Non-Profit Housing Coalition
Michael McClelland, VCU student
John Nolan, VCU student

Chairman Hopkins called the meeting of the Committee of the Whole to order at 2:00 p.m. on September 30, 2008. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioners Black and Fisette who joined the meeting in progress as noted below and thereafter remained present during the meeting on September 30, 2008. Chairman Hopkins welcomed Commissioners Hale and Leon to the Board.

Mr. Bowen presented an update on the financial markets in which he discussed with the Commissioners the adverse conditions in the tax exempt and taxable bond markets, the strategies being considered to raise capital for funding the Authority's loan programs and to allocate limited loan funds, the effect of the bond market conditions on future loan volume under the Authority's programs, the strength of the Authority's financial condition, and the possible use by the Authority of negotiated underwriting transactions rather than competitive bids to sell its bonds. Specific points made by Mr. Bowen in this presentation included the Authority's current inability to raise capital due to financial market conditions and the resulting need to decrease single family loan production from an annual amount of approximately \$1 billion to approximately \$500 million. During this report, Commissioners Black and Fisette joined the meeting.

Mr. Reger reported on the feedback provided by the Commissioners in the survey. In his report, Ms. Reger reviewed the Commissioners' comments and the actions that are being or will be taken by the staff in response to those comments.

Chairman Hopkins reviewed the following procedural guidelines for Committee appointments, nominations of officers, and meetings of the Board and Committees:

“A. Procedures for Committee Appointments and Offices.

1. Rotation of Committee Appointments. To assist Commissioners in obtaining a well rounded knowledge of the work of the Authority, during the Commissioners’ four year terms every effort should be made to assure that each Commissioner serves at least one year on each of the committees of the Board, except that the Treasurer should serve on the Audit and Operations Committees and the Director of HCD and the Housing Choice Voucher appointee should serve on the Programs Committee. Rotation of appointments on the Audit Committee will be subject to requirements in the Audit Committee Charter. The Chair of the Board should appoint committee members at the beginning of each fiscal year.
2. Nominations of Chair and Vice Chair. Prior to the Board meeting immediately preceding the annual meeting, the Executive Committee should meet for the purpose of nominating for election by the Board both a Chair and a Vice Chair. The Commissioner who served the preceding term as Chair of the Board (or, if such Commissioner no longer serves on the Board, a Commissioner designated by the then current Chair of the Board) should solicit nominations for Chair and Vice Chair prior to nominations by the Executive Committee. Commissioners who desire to be nominated for Chair and/or Vice Chair may submit their names to the Executive Committee for consideration.
 - a. General. To provide the leadership of the Board with experience and knowledge of the work of the Board of the Authority, a succession of officers and committee chairs is anticipated and encouraged. In addition, the Bylaws limit the term of a Chair to two consecutive one year terms. If the terms of appointment permit, the Chair should have served as Vice Chair for at least one year and the Vice Chair should have served for at least one year as a Committee Chair.
 - b. Nomination of Chair. Upon the conclusion of the final term of the Chair, it is anticipated that the Vice Chair will be nominated by the Executive Committee to serve as Chair, provided that his/her term of appointment will, or is expected to, continue for the year.
 - c. Nomination of Vice Chair. Upon the conclusion of the final term of the Vice Chair, it is anticipated that the Chair of either the Programs Committee, the Operations Committee, or the Audit Committee will be nominated by the Executive Committee to serve as Vice Chair, provided that such Committee Chair’s term will, or is expected to, continue for the year.

B. Board and Committee Procedures.

1. Conduct of Meetings. The Board and Committee meetings will be informal and collegial. The Chair (or, in his/her absence, the Vice Chair or, in both of their absences, a Commissioner designated in accordance with the By Laws) will preside over the meetings of the Board and the Committee of the Whole and will have the responsibility for the orderly and timely consideration of matters. The Chair of each Committee (or, in his/her absence, the Committee member designated by the Committee to act as Chair of any meeting of the Committee) will preside over the Committee meetings and will have the responsibility for the orderly and timely consideration of matters before the Committee, will report to the Board on the matters considered by the Committee, and will present for approval by the Board any resolutions or other actions recommended by the Committee, which resolutions or other actions will be voted on by the Board upon the motion of the Chair (or, in his/her absence, the Committee member acting as Chair) of the Committee without the necessity of any second.

2. Procedural Rulings. In the event of any disagreement over any procedural issue before the Board or the Committee of the Whole, the Chair (or, in his/her absence, the Vice Chair or, in both of their absence, a Commissioner designated in accordance with the Authority's Bylaws) may consult with the General Counsel and will rule on the issue. In the event of any disagreement over any procedural issue in the meeting of any Committee, the Chair of the Committee (or, in his/her absence, the Committee member designated by the Committee to act as the Chair of the meeting) may consult with the General Counsel and will rule on the issue. All such rulings will be final and binding.

3. Presence of Staff. The Executive Director and General Counsel should be present during the meetings of the Board and the Committee of the Whole, except when the Board has convened in closed session in accordance with the Freedom of Information Act to discuss the performance or compensation of the Executive Director. The Board or the Committee of the Whole may, in its discretion, request that other staff members not be present during any closed or open session. Likewise, key leadership team members should be present in meetings of the Programs, Operations and Audit Committees, except as deemed necessary during closed sessions or during meetings of the Audit Committee for discussions with the Authority's auditors."

Following a discussion by the Commissioners, it was the consensus of the Commissioners that the procedures be implemented by the Chairman as general guidelines that the Board would expect to follow but that could be varied as circumstances require.

Mr. McKellar presented proposed amendments to the Authority's Rules and Regulations for Multi-Family Developments and a proposed resolution that would replace the current Board Approval Request process by authorizing the Executive Director to

approve, and to authorize the issuance of commitments for, multi-family developments without further approval or authorization by resolution of the Board of Commissioners. It was the consensus of the Commissioners that the staff proceed with the public notice and hearing on the proposed regulatory amendments and present such amendments and resolution at the December meeting for consideration by the Board of Commissioners with a revision to the resolution providing for monthly reports to the Commissioners regarding mortgage loans that have been approved by the Executive Director for further processing.

Mr. Ritenour and Mr. Chandler reported on escalating costs of developments assisted by the federal low-income housing tax credits in the Northern Virginia area inside the beltway. In this report, Mr. Ritenour and the Commissioners discussed the effect of escalating costs on the efficient use of the federal low-income housing tax credits and possible alternatives to limit the escalation of costs. The Commissioners requested that the staff develop additional information, discuss the issue with the Authority's Northern Virginia Advisory Board, and present the staff's findings and recommendations at a future meeting of the Commissioners.

Mr. Chandler reviewed and discussed with the Commissioners the recommended changes to the Authority's Qualified Allocation Plan for the federal low-income housing tax credit program and summarized the public comments received on the proposed changes.

Ms. Butler presented an update report on information technology services in which she discussed with the Commissioners the significant events and deliverables in the past three years, the status of current information technology projects, the technology budget for fiscal year 2009, the Authority's major technology systems and applications, and future plans regarding information technology services.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 5:43 p.m. on September 30, 2008.

Chairman Hopkins called the regular meeting of the Board of Commissioners to order at approximately 11:05 a.m. on October 1, 2008. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Black who was not present at the meeting on October 1, 2008.

Ms. Taylor introduced the Authority's interns to the Commissioners.

No members of the public requested an opportunity to make any comments during the public comment period of the meeting.

Chairman Hopkins declared the floor open for nominations for Vice Chairman. Commissioner McCann nominated Commissioner McConnell. There being no further nominations, Commissioner O'Brien moved that the floor be closed. This motion was

seconded by Commissioner McCann and was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner McConnell was elected Vice Chairman by the affirmative vote of each of the Commissioners then present at the meeting. Chairman Hopkins advised the Commissioners that he had appointed Commissioner O'Brien to be Chairman of the Programs Committee.

The minutes of the meeting of the Committee of the Whole and the annual meeting of the Commissioners held on August 5 and 6, 2008 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The resolution entitled "Resolution of Recognition and Appreciation of Douglas R. Fahl" dated October 1, 2008, was read by Mr. Reger and, on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners then present at the meeting.

The resolution entitled "Resolution of Recognition and Appreciation of Edward L. McCoy" dated October 1, 2008, was read by Mr. Reger and, on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners then present at the meeting.

The resolution entitled "Resolution in Recognition and Appreciation of the Twentieth Anniversary of Virginia Supportive Housing" dated October 1, 2008, was read by Mr. Reger and, on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners then present at the meeting.

The resolution entitled "Resolution in Recognition and Appreciation of the Virginia Non-Profit Housing Coalition" dated October 1, 2008, was read by Mr. Reger and, on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners then present at the meeting. Chairman Hopkins then presented the resolution to Mr. and Mrs. Schaberg and Ms. Byrd and thanked them for their efforts.

Chairman Hopkins, on behalf of the Committee of the Whole, summarized the staff reports to, and the discussions by, the Committee of the following matters: an update on the financial markets; the feedback provided by the Commissioners in the survey; procedural guidelines for Committee appointments, nominations of officers, and meetings of the Board and Committees; escalating costs of developments assisted by the federal low-income housing tax credits in the Northern Virginia area inside the beltway; recommended changes to the Authority's Qualified Allocation Plan for the federal low-income housing tax credit program; and an update on information technology services.

Commissioner McConnell, on behalf of the Programs Committee, reported that the Committee had received and discussed, and recommended approval of, a resolution to approve the proposed changes to the Authority's Qualified Allocation Plan for the federal low-income housing tax credits. Commissioner McConnell then moved approval of the resolution entitled "Resolution Amending and Restating the Plan of the Virginia Housing

Development Authority for the Allocation of Low-Income Housing Tax Credits Including Rules and Regulations” dated October 1, 2008 in the form attached hereto. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner McConnell reported that the Committee had reviewed and recommended approval of a resolution to approve and ratify a reservation of federal low-income housing tax credits for Columbia Grove Apartments. Commissioner McConnell moved approval of the resolution entitled “Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits” dated October 1, 2008 in the form attached hereto. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner McConnell next reported that the Committee had reviewed and discussed staff reports on the following matters: a staff proposal to amend the extended compliance requirements on developments assisted by federal low-income housing tax credits by permitting 20% of the units to be released from the income and rent restrictions in exchange for an extension of the extended use period on the remaining units; a staff proposal to commence receiving and approving applications from lenders to serve as loan originators in the single family loan program; 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; homeownership and multi-family loan delinquencies; the administration of the Housing Choice Voucher Program; and the Authority’s marketing activities.

Commissioner Allmond, on behalf of the Audit Committee, reported that Chairman Hopkins, Commissioner McCann and she had met on September 23, 2008 to receive a presentation from KPMG on the audit of the Authority’s 2008 financial statements and that the Audit Committee had reviewed and discussed the audit at its meeting on October 1, 2008. Final bound copies of the audit report, including the fiscal year 2008 financial statements and accompanying notes, and copies of KPMG’s summary of audit results were distributed to the Commissioners. Commissioner Allmond noted that the fiscal year 2008 audit is now complete and a “clean” opinion was issued with no adverse findings. Commissioner Allmond next summarized the reports received by the Committee from Ms. Barackman on the Authority’s monthly financials and budget comparisons for the period ended August 31, 2008 and advised the Commissioners of the new format for the Authority’s operating statements. Commissioner Allmond reported that the Committee had received and discussed reports from Mr. Wyatt on the status of the internal audit schedule, the internal audit reports and recommendations, and the Authority’s enterprise risk management activities.

Commissioner Allmond, on behalf of the Operations Committee, reported that the Committee had reviewed and discussed, and recommended approval of, the bond limitations resolution for the Authority’s Commonwealth Mortgage Bonds that (i) provides for issuance of Commonwealth Mortgage Bonds in an aggregate amount not to exceed \$2.5 billion, (ii) provides for the execution of any purchase contract for the sale of the Commonwealth Mortgage Bonds not later than June 30, 2009 and (iii) authorizes the distribution of one or more preliminary and final official statements in substantially the forms presented at the meeting. Commissioner Allmond moved approval of the resolution

entitled “Bond Limitations Resolution” dated October 1, 2008, in the form attached hereto. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner Allmond next reported that the Committee had received and discussed an update report from Ms. Taylor on organizational, development and learning activities in the Authority and a report from Mr. Bowen on recent uses of the Virginia Housing Center and the status of the proposed improvements to the Southwest Virginia Housing Center and the Authority’s headquarters.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following: the meeting of the Foreclosure Prevention Task Force scheduled for October 7th ; the public service announcement by Governor Kaine warning of foreclosure rescue scams ; the Governor’s Housing Conference on November 12-14; the possible meeting of the Commissioners on November 12th to provide an update on the financial markets; the NCSHA Annual Conference on October 25-28; and an inquiry from Rolls Royce regarding the development of workforce housing. Following this report, Mr. Merchant distributed a report entitled “Virginia Housing Trends” that describes changing housing needs in Virginia. Ms. Dewey distributed her revised performance objectives which included an objective to meet organizational goals set forth in the Authority’s strategic plan and deleted the specific objective regarding Goal #2 of the strategic plan. Commissioner McCann stated the need for an objective to be included this fiscal year regarding creativity in accessing capital for the Authority’s loan programs, and it was the consensus of the Commissioners that Chairman Hopkins and Ms. Dewey prepare and include such an objective in her performance evaluation form.

There being no further business, the meeting was adjourned at approximately 12:10 p.m. on October 1, 2008.

Gerald W. Hopkins, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEEING OF THE PROGRAMS COMMITTEE
HELD ON OCTOBER 1, 2008

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 October 1, 2008 at the office of the Authority, 601 South Belvidere Street, Richmond, VA 23220.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Committee Chairman
Jay Fisette
William C. Shelton
Gerald W. Hopkins
Marjorie N. Leon

COMMITTEE MEMBER ABSENT

Jacqueline T. Black

OTHER COMMISSIONERS PRESENT

John P. McCann
Yvonne T. Allmond
Kermit E. Hale
Nancy K. O'Brien

OTHERS PRESENT:

Douglas R. Fahl, former Commissioner of the Authority
Susan Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
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
Brenda Brophy, Development Officer Manager
Paul M. Brennan, Deputy General Counsel
Melody S. Barackman, Controller
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Arthur N. Bowen, Managing Director of Finance and Administration
Russ Wyatt, General Auditor
Ann Bolen, Multifamily Business Development Officer
Mike Stoneman, Multifamily Owned Property Portfolio Manager
Llewellyn C. Anderson, Strategic Business Planner

The meeting of the Programs Committee was called to order by Committee Chairman McConnell at approximately 9:07 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 August 6, 2008 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Commissioner McConnell opened the floor for public comments on the proposed changes to the Authority's Qualified Allocation Plan for the federal low-income housing tax credits. There were no comments presented.

Mr. Chandler presented the resolution to approve the proposed amendments to the Low-Income Housing Tax Credit Qualified Allocation Plan. Commissioner O'Brien moved that the Committee recommend approval of the resolution entitled "Resolution Amending and Restating the Plan of the Virginia Housing Development Authority for the Allocation of Low-Income Housing Tax Credits Including Rules and Regulations" dated October 1, 2008. This motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting. Mr. Chandler next presented a resolution to approve and ratify the reservation of 2008 federal low-income housing tax credits for Columbia Grove Apartments. Commissioner Fisette moved that the Committee recommend approval of the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated October 1, 2008. This motion was seconded by Commissioner O'Brien and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Ritenour presented a staff proposal to amend the extended compliance requirements on developments assisted by federal low-income housing tax credits by permitting 20% of the units to be released from the income and rent restrictions in exchange for an extension of the extended use period on the remaining units. Mr. Ritenour explained that amendments to the extended compliance requirements could be made for developments that have met the requirements for the initial 15 year compliance period and that are having difficulty maintaining a viable occupancy rate. Following a discussion between the Commissioners and staff, it was the consensus of the Committee that the staff proceed with amending the extended compliance requirements as recommended. The Commissioners requested that the staff develop criteria for determining the developments that would be eligible for the amendments to the extended compliance requirements and that the staff provide the Committee with periodic updates on the developments for which the extended compliance requirements are amended. At this point, Commissioners McCann, Allmond, Hale and O'Brien left the meeting.

Mr. Ritenour and Ms. Watson presented a staff proposal to commence receiving and approving applications from lenders to serve as loan originators in the single family loan program. Ms. Watson noted that the staff expected to accept applications during the

month of November and that the lenders selected based on criteria set forth in the Single Family Originations Guide may begin originating single family mortgage loans on January 1, 2009.

Mr. Ritenour and Ms. Watson presented a report on homeownership loan production for the period July 1, 2008 – September 15, 2008. Ms. Watson stated that the FHA Plus loan product is currently 46.31% of total production. Ms. Watson also reported that more than 75% of the production was to households with incomes of less than 80% of the state's median income and that production to minorities had increased to 33%.

Mr. Ritenour and Mr. Hastings next presented the report on multi-family loan production for the period June 30, 2008 – September 23, 2008. In this report, Mr. Hastings noted that 12 developments consisting of 558 units had been approved for mortgage loans in the estimated amount of \$65 million. Mr. Hastings also commented that 11 of the 12 developments were supported with REACH dollars. Following the multi-family production report, Mr. Ritenour and Mr. Stoneman presented a report on the status of the disposition of the multi-family properties owned by VHDA. Mr. Stoneman noted that three developments had been added to the report since July 2008.

Mr. Hawkins presented the emerging markets outreach report for the period August 1, 2008 – September 30, 2008.

Mr. Dolce presented reports on the status of delinquencies and foreclosures in the homeownership and multifamily portfolios. Mr. Dolce noted that the overall delinquency rates for the single-family and multi-family portfolios, which includes foreclosures and bankruptcies, was 7.22% and 1.23%, respectively, as of August 2008. Chairman McConnell requested that the staff report on how VHDA's delinquency rates compare to other housing finance agencies. Mr. Dolce also reported that the Housing Choice Voucher lease-up rate is currently 99% and the year-to-date lease-up rate is 98.4%

Mr. Hill and Mr. Halloran presented a report on VHDA's marketing efforts through September 30, 2008 and showed the Governor's public service announcement on the Foreclosure Prevention Task Force website that warns about foreclosure rescue scams. Ms. Watson distributed a brochure summarizing the federal income tax credit for first-time homebuyers provided by the Housing Economic Recovery Act of 2008 and comparing the tax credit with the financial benefits of the Authority's FHA Plus mortgage loans. Mr. Hill and Mr. Halloran distributed a brochure on the FHA Plus program and advertisements on homeownership education and the mixed use/mixed program.

There being no further business the meeting was adjourned at 10:45 a.m.

Minutes of the Meeting of the Audit Committee Held on October 1, 2008

The meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on October 1, 2008 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Yvonne Allmond, Chair
John P. McCann
Kit Hale

Other Commissioners Present Gerald Hopkins, Chairman of the Board

Others Present Susan F. Dewey, Executive Director
Arthur N. Bowen, III, Managing Director of Finance & Administration
Russ E. Wyatt, General Auditor
Melody Barackman, Controller
Michelle S. Edmonds, Sr. Executive Assistant

Meeting Called to Order The meeting was called to order at 9:36 a.m. All of the members of the Committee 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, the minutes of the Audit Committee meeting of August 6, 2008 and September 23, 2008 were approved.

Review of FY '08 Financial Update Melody Barackman recapped the September 23, 2008 meeting with VHDA's auditors KPMG, certain Commissioners and staff. Melody distributed copies of KPMG's summary of audit results, highlighting significant areas of KPMG's focus. The FY 2008 audit is now complete and a "clean" opinion was issued with no findings. Final bound copies of the audit report including the FY 2008 financial statements and accompanying notes were distributed to the Committee.

Report on Monthly Financials and Budget Comparisons Ms. Barackman discussed the financial reports. For the month of August, excess revenues before GASB 31 adjustments were \$10.85 million or \$620,000 ahead of plan. For two months, excess revenues totaled \$21.3 million or \$3.1 million ahead of plan. Excess revenues thus far are \$7.5 million lower than last year's results as investments are earning much lower yields this year compared to last year. HUD's

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Audit Committee Minutes
October 1, 2008

**Report on
Monthly
Financials and
Budget
Comparisons**
(cont'd)

gradual recovery of excess HAP and administrative funds is also a factor lowering current year results compared to prior year. Total assets of \$9.3 billion is \$50 million lower than year-end. Cash totaling \$193 million was deployed into mortgage receivables and bond redemptions and pay downs. Net assets increased to \$2.05 billion, equivalent to an annualized average return of 6.6% on net assets and 1.5% on average total assets. Debt ratio remains 1.28.

**New Operating
Statement**

Ms. Barackman reported on a new format for presenting operating statements developed after discussions with several members of the Board and the Budget Planning Team. This new format has been proposed in an effort to better describe revenue resource allocations to various administrative and programmatic expenses. Proposed major changes include: 1) Reporting ITS expenses for projects separately from ongoing costs to needed to keep the Authority functioning; 2) Providing more specific descriptions of administration costs; 3) Netting owned MF property income against expenses; and 4) Netting HCV income against expenses. The Committee was in agreement with the new operating statement.

**Internal Audit
Report**

The General Auditor reported on the status of the audit schedule indicating that no audits had been completed since the last Committee meeting. The General Auditor reported that the annual loan and investment confirmation work was completed and the results were made available to KPMG. The General Auditor also reported that there were no adverse reports issued since the last meeting. The General Auditor indicated that the following audits are in progress: (1) Procurement; (2) SF Homeownership Department; and (3) Desktop Services. The General Auditor further reported that the Audit schedule is on track to be completed as planned.

The General Auditor further noted that there are no control concerns that were previously reported that have not been addressed by management.

The General Auditor then gave a status update of the Enterprise Risk Management Project as it relates to the development of a risk and control self-assessment system. The project is moving forward well and the system should be complete by calendar year end 2008. Testing will begin thereafter with a phased roll out beginning in the first quarter of 2009.

The General Auditor then distributed envelopes to each Commissioner containing a 12 question questionnaire regarding commissioner independence as it relates to serving on the Audit Committee of the Board. Committee members were asked to return the completed questionnaire to Commissioner Hopkins. Commissioner Hopkins was asked to bring the completed questionnaires to the next Audit Committee meeting.

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Audit Committee Minutes
October 1, 2008

Adjournment There being no further business, Commissioner Allmond moved for adjournment of the meeting at 10:07 a.m.

Russ E. Wyatt
General Auditor

Yvonne Allmond
Chairman

Minutes of the Meeting of the Operations Committee Held on October 1, 2008

The meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on October 1, 2008 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Yvonne Allmond, Chair
John P. McCann
Kit Hale

Other Commissioners Present Gerald Hopkins, Chairman of the Board

Others Present Susan Dewey, Executive Director
Arthur N. Bowen, III, Managing Director of Finance & Administration
Melody Barackman, Controller
Russ Wyatt, General Auditor
Janet Butler, Managing Director of Information Technology Services
Tammy Neale Taylor, Chief Learning Officer, OD&L
Michelle S. Edmonds, Sr. Executive Assistant

Meeting Called to Order The meeting was called to order at 10:09 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting.

Approval of the Minutes Commissioner McCann moved approval of the minutes of the meeting of the Operations Committee dated August 6, 2008. Commissioner Hale seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Bond Limitations Resolution Art Bowen presented and the Committee recommended approval of the resolution entitled "Bond Limitations Resolution" and the two accompanying forms of official statements. This resolution will establish the limitations for the issuance and sale of the Authority's single family bonds in the maximum amount of \$2.5 billion. The bonds are expected to be issued under a draw down program during a three year period. The resolution also allows VHDA to enter into a purchase contract on or before June 2009 and maximum maturity up to 50 years. A motion to recommend approval by the Board was made by Commissioner Hopkins 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.

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Operations Committee Minutes
October 1, 2008

OD&L Update Tammy Neale Taylor provided an overview of the Organizational Development & Learning Division. The Division was created two years ago to focus on talent management. Ms. Taylor highlighted some of the functional responsibilities and successes of the area such as the VHDA University. Through the state's learning management system, VHDA has access to an e-learning portal called the Knowledge Center providing VHDA associates with access to over 1,000 courses. Ms. Taylor indicated that this year VHDA is looking at creating and designing overview courses on VHDA programs and services. Several Commissioners expressed an interest in having access to these courses. Ms. Taylor also distributed a newly created brochure that will be shared with staff this month. Ms. Taylor will provide periodic updates on key initiatives in future Committee meetings.

Building for the Future Update Art Bowen reviewed the status of VHDA's capital projects. The Virginia Housing Center at Cox Rd. has been operational for almost one year, and since January of 2008 a total of 6400 people from 52 different groups have used the facility (this includes VHDA group use).

The Southwest Virginia Housing Center project in Wytheville is underway – the contractor has mobilized and is onsite. Expected construction time is 12 months.

Phase I of the VHDA HQ Modernization has started with work around data center infrastructure and telecommunications. The contractor for the construction portions of the project is awaiting permits from the City of Richmond, but will be commencing certain work not requiring permits.

Phase II of the HQ Modernization is on hold for now, with a decision point coming in the Spring of 2009. If the decision is to move forward with Phase II, work would commence no sooner than the fourth quarter of calendar year 2009.

VHDA has also been working with its A&E team and LEED consultant to develop cost estimates of obtaining LEED Silver certification for the HQ renovation project. There are no major LEED-related impacts of costs on Phase I of the project. For Phase II, the estimated additional cost of obtaining LEED certification is \$600,000, about half of which is to replace the main chiller units for the building.

Adjournment There being no further business, Commissioner Allmond adjourned the meeting at 11:00 a.m.

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

Yvonne Allmond
Chairman