

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON OCTOBER 7, 2015

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 October 7, 2015 at the Authority's offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMISSIONERS PRESENT:

Timothy M. Chapman, Chairman
Sarah B. Stedfast, Vice Chairman
William C. Shelton
Charles McConnell
H. Richard Ashe
Douglas R. Fahl
Lemella Y. Carrington

COMMISSIONERS ABSENT:

Manju Ganeriwala
Kermit E. Hale
Marjorie N. Leon

OTHERS PRESENT:

Susan F. Dewey, Executive Director
J. Judson McKellar, Jr., General Deputy and Legal Advisor
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wiglesworth, Managing Director of Homeownership (by phone)
J. Michael Hawkins, Managing Director of Community Outreach
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Llewellyn C. Anderson, Managing Director of Executive Services
Patrick Gluesing, Managing Director of Information Technology Services/Chief
Innovation Officer
Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management
Toni Ostrowski, Director, Homeownership and Lending Programs (by phone)
Pamela Holmes, Director of Single Family Servicing
Dale Wittie, Director of Rental Housing
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Melody S. Barackman, Controller
Barry Merchant, Senior Policy Analyst
Brooke Scott, Program Liaison
Sandy Edwards, Office Manager
Alex Arruda, Program Support Analyst

Robinette Cole, Senior Program Compliance Officer
Cory Gray, Collections Officer
Kelly Knighton, Quality Review Analyst
Zach Mayo, Research & Policy Analyst
Emily Ornelas, Program Support Trainee
Courtney Insley, Executive Administrator

Chairman Chapman called the meeting of the Committee of the Whole to order at 10:10 a.m. on October 7, 2015. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Ms. Dewey introduced seven members of the Emerging Leaders Program to the Commissioners.

Mr. Gluesing presented an update on the implementation of the Authority's new single family loan origination system. Mr. Gluesing stated that eighteen correspondent lenders are on the new system and that the remainder of the correspondent lenders will be on the system by the end of October. Mr. Gluesing indicated that the feedback from the correspondent lenders regarding the system has been positive.

Mr. Chandler presented a report on applications that have been submitted or are likely to be submitted requesting federal low-income housing tax credits from the Non-Competitive Disability Pool and explained the impact that the funding of such applications will have on the amount of credits pre-allocated from the 2016 tax credit program.

Mr. McKellar presented a report on recent changes to the Authority's business model that incorporate recent changes in programs and practices.

Ms. Dewey discussed the results of the staff survey of the Commissioners and the actions taken and planned to address the comments of the Commissioners, including developing plans for the better utilization of REACH funds and the structure of the Board Retreat.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 10:57 a.m. on October 7, 2015.

Chairman Chapman called the regular meeting of the Board of Commissioners to order at approximately 11:09 a.m. on October 7, 2015. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

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

The minutes of the Committee of the Whole and the annual meeting of the Commissioners held on August 5, 2015 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Chapman, on behalf of the Executive Committee, reported that the Committee had reviewed the agendas for the meetings of the Committees and the Board.

Commissioner Stedfast, on behalf of the Finance and Audit Committee, reported that the Committee had received and discussed with representatives of KPMG their audit of the Authority's financial statements for fiscal year 2015 and that KPMG (i) had issued its unqualified opinion that such financial statements present fairly, in all material respects, the financial position of the Authority; and (ii) had issued its unqualified opinion on compliance with OMB Circular A-133 relating to expenditures of Federal awards indicating that the Authority has complied, in all material respects, with the compliance requirements of A-133 and that they did not identify any deficiencies that might be considered material weaknesses. Commissioner Stedfast also reported that the Committee had received and discussed (i) the Authority's financials results for fiscal year to date ending August 31, 2015; (ii) the salient features of the Authority's proposed Commonwealth Mortgage Bonds, Pass-Through Certificates, 2015 Series A, and Rental Housing Bonds, 2015 Series E-Non-AMT and 2015 Series F-Taxable. Commissioner Stedfast also reported that the Committee had received and discussed, and recommended approval of, a resolution to authorize entering into a revolving credit facility agreement with Bank of America. A motion to recommend approval of the resolution entitled "Resolution Authorizing Revolving Credit Agreement" dated October 7, 2015 was duly made and seconded and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Stedfast also reported that the Committee had received updates on (i) completed and current internal audit and review activities; (ii) the Authority's enterprise risk management activities; and (iii) the solicitations for (a) external auditors and (b) a third party audit firm for internal audit support.

Commissioner Fahl, on behalf of the Operations Committee, reported that the Committee had received and discussed staff reports on (i) the down payment assistance grant program and (ii) the mortgage credit certificates program. Commissioner Fahl also reported that the Committee had received and discussed, and recommended approval of, a resolution to create a second mortgage credit certificate program. A motion to recommend approval of the resolution entitled "Mortgage Credit Certificate Program Resolution" dated October 7, 2015 was duly made and seconded and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Fahl reported that the Committee had received and discussed staff reports from the following areas: (i) Homeownership - on homeownership loan production, applications for new correspondent lenders and the Authority's application to become a Mortgage Electronic Registration System member; (ii) Rental - on rental loan production and portfolio performance; (iii) Community Outreach - on the joint efforts of the Authority and the Virginia Coalition to End Homelessness to support regional Homeless Continuums of Care and the Authority's support of the planning profession and its role in housing; and (iv) the recent activities in Organizational Development and Learning and the Project Management Office, noting (a) the start of the fifth leadership development program at the Authority and (b) the overall good status of the Authority's project management portfolio.

Commissioner Chapman, on behalf of the Committee of the Whole, reported that the Committee had received reports on the following matters: (i) the implementation of the Authority's new single family loan origination system; (ii) the applications for low-income housing tax credits from the Non-Competitive Disability Pool and the implications on the amount of credits pre-allocated from the 2016 tax credit program; (iii) the changes to the Authority's business model; and (iv) the results of the staff survey of the Commissioners.

Commissioner Shelton reported on recent activities of the Department of Housing and Community Development, including the following: (i) the Governor's Housing Conference to be held on November 18-20, 2015, which will include the groundbreaking ceremony for the winning home design awarded at the previous Governor's Housing Conference, and (ii) an upcoming announcement on veteran homelessness on November 11, 2015.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: the Virginia Housing Coalition Housing Credit Conference to be held in Richmond on October 8-9, 2015; the next meeting of the Board on December 2, 2015; the meeting of the Board on February 3, 2016 that will be held at the Authority's headquarters; the NCSHA annual conference in Nashville, including the Authority's award for it legislative application; NCSHA's decision to commission a study of the low-income housing tax credit; the meeting of the Housing Policy Advisory Council at the Virginia Housing Center on September 1, 2015, including the cost for the study of the connection between housing and economic development; an update to the Commissioners on the litigation filed by former employee against the Authority and certain current and former employees; and a restructure involving the Policy, Planning and Research Division. Also, Commissioners Stedfast, Fahl and Chapman shared what they learned at NCSHA's annual conference during Ms. Dewey's report.

There being no further business, the meeting was adjourned at approximately 12:18 p.m. on October 7, 2015.

Timothy M. Chapman, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON OCTOBER 6, 2015

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Executive Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on October 6, 2015 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Timothy M. Chapman, Chairman
Sarah Stedfast
Douglas R. Fahl

COMMITTEE MEMBER ABSENT:

Kermit E. Hale

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, General Counsel
Patrick Carey, Managing Director of Finance
Barbara Blankenship, Managing Director of Human Resources
Arthur N. Bowen, Managing Director of Rental Housing
Llewellyn C. Anderson, Managing Director of Executive Services

Chairman Chapman called the meeting of the Committee to order at approximately 5:04 p.m. on October 6, 2015. All of the members of the Committee listed above as present at the meeting were present at that time and remained present throughout the meeting.

The minutes of the meeting of the Committee held on August 4, 2015 were approved by the affirmative vote of each of the Commissioners then present at the meeting. Ms. Dewey left the meeting.

Ms. Blankenship and Mr. Carey reported that the Board's request for deferred compensation options including additional data on comparable compensation packages for consideration by the Board would not be ready for the October meeting. The requested information should be ready for consideration by the Board at its December meeting. After this discussion, Ms. Blankenship and Mr. Carey left the meeting and Ms. Dewey and Mr. Bowen joined the meeting.

Mr. Bowen reported that applications for low-income housing tax credits from the Non-competitive Disability Pool would likely exceed the amount of tax credits in the pool. Mr. Bowen also reported on the amount of tax credits pre-allocated from the 2016 tax credit program. After this discussion, Mr. Bowen left the meeting and Ms. Anderson joined the meeting.

The Commissioners and staff reviewed and discussed the agendas for the meetings of the Finance and Audit Committee, the Operations Committee, the Committee of the Whole and the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 7:05 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE FINANCE AND AUDIT COMMITTEE
HELD ON OCTOBER 7, 2015

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Finance and Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on October 7, 2015 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, VA 23060.

COMMITTEE MEMBERS PRESENT:

Sarah B. Stedfast, Chairman
Charles McConnell

COMMITTEE MEMBERS ABSENT:

Manju Ganeriwala
Marjorie N. Leon

OTHER COMMISSIONER PRESENT:

Timothy M. Chapman

OTHERS PRESENT:

Susan Dewey, Executive Director
Patrick J. Carey, Managing Director of Finance
Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management
J. Judson McKellar, Jr., General Deputy and Legal Advisor
Melody Barackman, Controller
Ron Reger, Enterprise Risk Manager
David Reid, Risk and Controls Internal Consultant
David Henderson, Financial Systems and Reporting Manager
Donna Craver, KPMG
Rasheeda Perry, KPMG
Bonnie McRae, Senior Executive Assistant
Alex Arruda, Rental Housing Program Support Analyst

The meeting of the Finance and Audit Committee was called to order by Committee Chairman Stedfast at approximately 8:45 a.m. on October 7, 2015. 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 Finance and Audit Committee held on August 5, 2015 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Ms. Craver presented a report on KPMG's audit of the Authority's financials for fiscal year 2015. In her report, Ms. Craver stated that the unqualified opinion of KPMG

was issued on the Authority's fiscal year 2015 financial statements on September 11, 2015 and that KPMG did not identify any deficiencies in internal controls that KPMG considered to be material weaknesses. She further advised the Committee that KPMG issued an unqualified opinion on compliance with OMB Circular A-133 relating to federal expenditures and that KPMG did not identify any material weaknesses in internal controls. Commissioner Chapman left the meeting at the conclusion of this report.

Ms. Camus introduced Mr. David Reid, the newly hired Risk and Controls Internal Consultant in the Audit and Enterprise Risk Management Division. Mr. Carey introduced Ms. Alex Arruda, Program Support Analyst in the Rental Housing Division, and a participant in the Authority's current Emerging Leaders Program.

Ms. Barackman reported on the Authority's financial results for fiscal year to date ending August 31, 2015. In her report, Ms. Barackman noted the following: excess revenues were \$24.6 million and over budget by \$4.7 million; net interest margin was \$39.9 million and was \$1.2 million under budget; programmatic expenses were better than budget by \$4.3 million primarily due to lower loan losses and timing of ancillary fee income; administrative expenses were better than budget by \$1.4 million; total assets were \$8 billion; and net assets had increased to \$2.84 billion.

Mr. Carey presented the salient features for the sale and issuance of two Rental Housing Bonds. He first reviewed a tax exempt issue of Rental Housing Bonds in an estimated \$40,000,000 principal amount that is expected to bear fixed interest rates, have a final maturity in 30-35 years, and finance mortgage loans for up to four multi-family developments. He next reviewed a taxable issue of Rental Housing Bonds in an estimated \$50,000,000 principal amount, that is expected to bear fixed interest rates, have a final maturity in approximately 30 years, and redeem and refund a like amount of outstanding bonds. Mr. Carey also presented the salient features for the sale and issuance of an estimated \$158,000,000 of the Authority's taxable Commonwealth Mortgage Bonds that are expected to bear a fixed interest rate utilizing a standard pass-through of principal structure, have a final maturity in approximately 30 years, and redeem and refund a like amount of outstanding bonds. Mr. Carey also indicated that, because of the limited liquidity in the pass-through market, the transaction may be split into two smaller transactions occurring approximately one month apart, and that a hybrid structure utilizing planned amortization class bonds along with more traditional fixed rates bonds may be executed.

Mr. Carey presented, and recommended approval of, a resolution to authorize the execution of a revolving credit agreement with Bank of America, N.A. On motion duly made and seconded, a resolution to recommend approval of the resolution entitled "Resolution Authorizing Revolving Credit Agreement" dated October 7, 2015 was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Camus reported on activities in the Audit and Enterprise Risk Management Division. In this report, Ms. Camus discussed the implementation of PENTANA Automated Audit Management System, gave an update on the Community Outreach Division's new grant management system, advised the Committee that the GNMA loan

program audit was completed with no significant issues identified, and reviewed personnel changes in the Audit and Risk Management Division.

Mr. Reger presented an update on enterprise risk management activities, including the focus on high priority risks and the recent consultations by staff in the Audit and Enterprise Risk Management Division with managers in the business areas to enhance risk management and internal controls.

Ms. Camus advised the Committee that the Authority will be issuing a solicitation for external auditors since the current KPMG contract expires after fiscal year 2016. Ms. Camus stated that the Authority will also be issuing a solicitation for third party audit firms to conduct reviews and assess risks in the Authority's network of external partners and to provide consultation to those partners for the improvement of their processes and controls. Ms. Camus informed the Committee that the Audit and Enterprise Risk Management Division will be focusing on reputational, financial, data, compliance, strategic and operational risks in the Authority's grant programs, including the current state of controls and the anticipated future state of the programs in the Authority's Strategic Plan.

There being no further business, the meeting was adjourned at 10:00 a.m. on October 8, 2015.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON OCTOBER 7, 2015

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on October 7, 2015 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Douglas R. Fahl, Chairman
Timothy M. Chapman
William C. Shelton
H. Richard Ashe
Lemella Y. Carrington

COMMITTEE MEMBERS ABSENT:

Kermit E. Hale

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wigglesworth, Managing Director of Homeownership (by phone)
J. Michael Hawkins, Managing Director of Community Outreach
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Paul M. Brennan, General Counsel
Llewellyn C. Anderson, Managing Director of Executive Services
Patrick Gluesing, Managing Director of Information Technology Services/Chief
Innovation Officer
Toni Ostrowski, Director, Homeownership and Lending Programs (by phone)
Pamela Holmes, Director of Single Family Servicing
Michele G. Watson, Director, Homeownership Strategic Relationships (by phone)
Dale Wittie, Director of Rental Housing
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Barry Merchant, Senior Policy Analyst

The meeting of the Operations Committee was called to order by Chairman Fahl at approximately 9:00 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

On motion duly made and seconded, the minutes of the meeting of the Operations Committee held on August 5, 2015 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Ms. Holmes reported to the Committee on the Authority's (i) Down Payment Assistance (DPA) Program and (ii) Mortgage Credit Certificate (MCC) Program. As of September 30, 2015, 1,983 down payment assistance grants have been reserved totaling \$12.3 million. The DPA Program has been suspended while the results of the Program will be analyzed by staff to determine if any adjustments need to be made to the targeting of the assistance before making the remaining \$3.6 million allocated to the Program available for the remainder of the fiscal year. Ms. Holmes also reported that 30 lenders were approved to issue MCCs and that the Authority has issued or committed to issue 122 MCCs. The Authority has increased marketing efforts for the MCC Program to raise awareness of this resource.

Mr. Brennan presented a resolution to use \$677,877,379 of the Authority's private activity bond authority for a mortgage credit certificate program. A motion to recommend approval of the resolution entitled "Mortgage Credit Certificate Program Resolution" dated October 7, 2015 was duly made and seconded and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Holmes reported to the Committee on the operations of the Homeownership Division. Ms. Holmes reported that (i) homeownership loan production for fiscal year 2016 through September 30, 2015 was 1,005 homeownership loans totaling \$187 million compared to 672 loans totaling \$110 million for the same period last year; (ii) the Authority is processing 12 new lender applications and, if all the applications are approved, the Authority will have 84 correspondent lenders; and (iii) the Authority has submitted an application to become a Mortgage Electronic Registration System (MERS) member.

Mr. Bowen reported to the Committee on the operations of the Rental Division. Mr. Bowen reported that (i) rental loan production for fiscal year 2016 has started off slowly at \$25 million for 693 units and (ii) the rental loan portfolio currently stands at \$3.26 billion with 1,174 loans and continues to perform well with delinquency rates below 1%.

Mr. Hawkins reported to the Committee on the operations of the Community Outreach Division. Mr. Hawkins reported on (i) the Authority's work with the Virginia Coalition to End Homelessness to strengthen capacity several regional Homeless Continuums of Care through AmeriCorp programs and (ii) the Authority's support of the planning profession and its role in housing.

Ms. Neale reported to the Committee on (i) the start of the fifth leadership program at the Authority and (ii) the beginning of the CVC charitable giving campaign at the Authority.

Mr. Gluesing reported to the Committee on the status of the Authority's project management portfolio, all projects are in green status except the single family loan origination program and the human resources time management system, which are in yellow status.

Ms. Neale provided an update on the renovation to the Authority's office on Belvidere Street.

There being no further business, the meeting was adjourned at 10:01 a.m.