

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON OCTOBER 10, 2017

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 10, 2017 at the Authority's offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Sarah B. Stedfast, Chairman
Clarissa McAdoo Cannon, Vice Chairman
Timothy M. Chapman
Kermit E. Hale
Charles McConnell

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, General Counsel
Barbara Blankenship, Managing Director of Human Resources

Chairman Stedfast called the meeting of the Committee to order at approximately 6:05 p.m. on October 10, 2017. 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 meetings of the Committee held on August 8, 2017 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The Commissioners and staff reviewed and discussed the agendas for the Committee of the Whole and meeting of the Board of Commissioners. After this presentation, Ms. Dewey left the meeting.

Mr. Brennan presented a report on a deferred compensation proposal for the Executive Director. The members of the Committee discussed the proposal and approved the deferred compensation plan that the Committee would recommend to the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 6:34 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON OCTOBER 11, 2017

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 11, 2017 at the Authority's offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMISSIONERS PRESENT:

Sarah B. Stedfast, Chairman
Clarissa McAdoo Cannon, Vice Chairman
Timothy M. Chapman
Thomas A. Gibson, IV
Kermit E. Hale
Charles McConnell
Shekar Narasimhan
David E. Ramos
William C. Shelton

COMMISSIONERS ABSENT:

Lemella Y. Carrington
Manju Ganeriwala

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wigglesworth, Managing Director of Homeownership
J. Michael Hawkins, Managing Director of Community Outreach
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
Tammy Neale, Chief Learning Officer
Barbara Blankenship, Managing Director of Human Resources
Llewellyn C. Anderson, Managing Director of Executive Services
Julie Camus, Managing Director of Risk
J. Kyle Howard, Managing Director of Information Technology
Toni Ostrowski, Director, Homeownership and Lending Programs
Pamela Holmes, Director of Single Family Servicing
Janice Burgess, Assistant Director, Homeownership Loan Programs
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Melody S. Barackman, Controller
Demas Boudreaux, Legislative Liaison
Stephanie Flanders, Tax Credit Allocation Analyst
Eric Harris, Enterprise Business Continuity, Disaster Recovery
and Records Management Officer
David Kohan, Enterprise Information Security Officer
Zach Mayo, Risk and Organizational Data Analyst

Ross Strodel, Internal Audit Director
Fred Bryant, Deputy General Counsel
David Henderson, Assistant Controller
Matthew Bolster, Senior Strategic Housing Officer
Lori Sikes, Quality Review Analyst
Shawn Washington, Grant Programs Officer
Cody Owens, Multi-Family Analyst
Stephanie Benson, Program Support Analyst
Morgan Ferrell, Customer Service Specialist
Sheila Stone, Senior Tax Credit Allocation Officer
Hein Phan, Senior Staff Accountant
Candice Evans, Investor Reporting Analyst
Richard Doll, Database Analyst
Virginia Kessler, Database Administrator
Chris Keeter, Applications Developer
Anna Novitsky, Database Administrator
Mark Anthony, Business Data Reporting Analyst
Sherry Estridge, Business Data Reporting Analyst
Sally Fisher, Database Developer
Hari Kaniassery, Systems Development Manager
Sandy Edwards, Office Manager
Courtney Insley, Executive Administrator
Sarah Jones-Anderson, Program Liaison

Chairman Stedfast called the meeting of the Committee of the Whole to order at 9:02 a.m. on October 11, 2017. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Ms. Dewey described the Authority's Emerging Leader Program and introduced nine members of the current program class that would be observing the meeting of the Committee of the Whole and the regular meeting of the Commissioners.

Ms. Camus, Mr. Kohan and Ms. Dewey presented a report that (i) provided an overview of the Risk Division and the enterprise risk identification process; and (ii) discussed the potential impacts and mitigation strategies for six enterprise risks identified by the Risk Division; including, loss of organizational knowledge, process deficiencies, non-compliance, information security, system failures, and reputational risks.

Mr. Bowen presented a report on the applications submitted to the Authority seeking tax credits from the Accessible Supportive Housing Pool. Staff recommended funding all four applications submitted for funding for a total of \$1.42 million in tax credits, which represents approximately 7.2% of the current year's per-capita credits. On motion duly made and seconded, the recommendation of the staff to proceed with reservations of tax credits for four developments; Carlton View II, New Clay House II, New Manchester Flats V and Townhomes of Warwick II was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Bondurant described the process for amending the Qualified Allocation Plan for low-income housing tax credits and presented the proposed schedule of activities in the tax credit program for the remainder of 2017 and all of 2018.

Ms. Barackman reported on the Authority's financial results for the fiscal year-to-date ending on August 31, 2017. In her report, Ms. Barackman noted the following: net interest margin for August totaled \$22.9 million, which is \$2.0 million higher than the budget plan; year-to-date programmatic expenses were \$7.4 million less than budget, primarily due to delayed spending in grants and higher ancillary fee income; year-to-date administrative expenses were \$3.7 million less than budget, primarily due to lower spending on staffing costs and technology costs; August excess revenues were \$16.3 million (prior to GASB adjustments), which is over budget by \$5.6 million and year-to-date excess revenues are \$31.3 million, \$16.1 million higher than budget; the Authority's net position (total assets less total liabilities) was \$3.2 billion, which is 5.7% greater than last year; and the Authority's total assets and securitized loans totaled \$11.1 billion, which is over \$1.0 billion more than one year ago.

Mr. Carey advised the Board on the salient features of the Authority's proposed Rental Housing Bonds, 2017 Series E-Non-AMT estimated to be \$90 million.

Mr. Hawkins provided an update on the activities of the Community Outreach Division, including, work with DHCD in developing a survey of stakeholders to determine the strength of the affordable housing delivery network; work with regional councils of the GO Virginia initiative to connect housing to economic development; and work with neighborhood leaders on the need for affordable housing.

Mr. Bowen provided an update on the activities of the Rental Division, including, appreciation from the tax credit community for the Authority's response to the dip in tax credit pricing at the end of 2016, and a recent significant increase in the loan production pipeline for all the Rental loan products due to changes in the Rental programs.

Ms. Wiglesworth provided an update on the activities of the Homeownership Division, including, a borrower outreach event at the Housing Center that resulted in the filing of 21 loan modification applications; efforts to hire a business development officer for the Roanoke area; efforts to create opportunities for community banks in markets underserved by the Authority to offer the Authority homeownership loan products; and efforts to increase first-time homeowner housing stock through (i) work with DHCD on the sale of foreclosed properties to non-profits for rehabilitation and sale, (ii) expanding opportunities with the U.S. Department of Agriculture to finance manufactured housing, and (iii) exploring opportunities with the Homebuilders Association on increasing affordable housing stack.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 11:12 a.m. on October 11, 2017.

Chairman Stedfast called the regular meeting of the Board of Commissioners to order at approximately 11:25 a.m. on October 11, 2017. 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 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 9, 2017 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Sherry A. Estridge” dated October 11, 2017, was read by Ms. Neale, and on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Brennan presented a resolution required by Ginnie Mae that designates the officers of the Authority authorized to transact business with Ginnie Mae. On motion duly made and seconded, the resolution entitled “Resolution of Board of Directors and Certificate of Authorized Signatures” dated October 11, 2017, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner McConnell, on behalf of the 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 2017 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 that KPMG did not identify any deficiencies in internal controls that KPMG considered to be material weaknesses; (ii) had issued its unqualified opinion on compliance with the Single Audit Act requirements relating to federal expenditures; and (iii) did not identify any deficiencies that might be considered material weaknesses in internal controls. Commissioner McConnell reported that the Committee received staff reports on the Authority’s (i) current internal audit activities; and (ii) progress on strategic areas of emphasis involving information security, records management, and compliance and risk.

Commissioner Shelton reported on recent activities of the Department of Housing and Community Development, including the following: (i) the Board of Housing and Community Development will adopt the changes to the building code at its next meeting; (ii) the status of registration for the Governor’s Housing Conference to be held on November 15-17, 2017; (iii) work on the Consolidated Plan scheduled for adoption in May; and (iv) the utilization of the tax-exempt bond authorization allocated to the local housing authorities, the Governor, and the industrial development boards.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: (i) the Authority’s involvement in a Habitat for Humanity build in Buchanan County; (ii) the recent audit report of the Special Inspector General for the Troubled Asset Relief Program, which was critical of some of the expenses housing finance agencies paid with federal funds, did not involve the Authority; (iii) the universities conducting research on behalf of the Housing Policy Advisory Council will distribute a draft report prior to the next meeting of the Council on October 30, 2017; and (iv) the next meeting of the Board to be held on December 5, 2017 at the Authority’s Headquarters.

On motion duly made and seconded, a resolution that the Committee convene in closed session to discuss and consider the performance and compensation of Ms. Dewey in accordance with Section 2.2-3711.A.1 of the Code of Virginia and further that Ms. Dewey, Ms. Blankenship and Mr. Brennan, who are deemed necessary to be present or will reasonably aid the Board of Commissioners in its consideration of the aforesaid topics, be present during the closed session

was approved by the affirmative vote of the Commissioners noted above as present at the meeting. At the conclusion of the closed meeting, the Commissioners reconvened in an open meeting. Each Commissioner certified, by roll call vote, that to the best of his or her knowledge, only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the Commissioners. On motion duly made and seconded, the deferred compensation arrangement for the Executive Director recommended by the Executive Committee, which is not tied to the performance of the Authority and includes a provision for fully vesting upon separation without cause, was approved by a vote of the Commissioners. Commissioners Stedfast, Cannon, Chapman, Hale, McConnell, Narasimhan, and Ramos voted in favor of motion; Commissioner Shelton voted to oppose the motion; and Commissioner Gibson voted to abstain from the motion.

There being no further business, the meeting was adjourned at approximately 12:23 p.m. on October 11, 2017.

Sarah B. Stedfast, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON OCTOBER 11, 2017

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on October 11, 2017 at the Authority's offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Chairman
Sarah B. Stedfast
Shekar Narasimhan
David E. Ramos

COMMITTEE MEMBERS ABSENT:

Manju Ganeriwala

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Patrick J. Carey, Managing Director of Finance
Julie Camus, Managing Director of Enterprise Risk Management
Ross Strodel, Internal Audit Director
Melody Barackman, Controller
Fred Bryant, Deputy General Counsel
David Kohan, Enterprise Information Security Officer
David Henderson, Assistant Controller
Donna Craver, KPMG
Marquia Gunn, KPMG

The meeting of the Audit Committee was called to order by Committee Chairman McConnell at approximately 8:03 a.m. on October 11, 2017. 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 Audit Committee held on August 9, 2017 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Craver and Ms. Gunn from KPMG reported on the results of the audit of VHDA's basic financial statements for the fiscal year ended June 30, 2017. On September 14, 2017, KPMG issued an unqualified opinion asserting the financial statements present fairly, in all material respects, the financial position of VHDA. In their report on compliance with the Single Audit Act, Uniform Guidance and Audit Requirements for Federal Awards, KPMG issued another unqualified opinion indicating the Authority has complied, in all material respects, with the compliance requirements of the Code of Federal Regulations Part 200. Lastly, KPMG did not identify any deficiencies in internal control that might be considered material weaknesses.

Mr. Strodel presented the results of the Ginnie Mae program audit and provided updates regarding active audits of the Housing Choice Voucher SEMAP processes and IT data asset controls. Mr. Strodel also provided Internal Audit's annual attestation affirming their objectivity and independence as required by their professional standards.

Ms. Camus provided an update on the Strategic Objectives of Records Management and Compliance and Risk and also on the Procurement Task Force. Mr. Kohan provided an update on enterprise information security activities, including the ongoing procurement of a vendor to assist with information security policies and procedures, the business impact analysis (BIA), and staff training on phishing awareness.

There being no further business, the meeting was adjourned at 8:51 a.m. on October 11, 2017.