

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON OCTOBER 1 AND 2, 2013

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 1 and 2, 2013 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMISSIONERS PRESENT:

Kermit E. Hale, Chairman
Timothy M. Chapman, Vice Chairman
William C. Shelton
Marjorie N. Leon
Jacqueline T. Black
Charles L. Krum, Jr.
Douglas R. Fahl
H. Richard Ashe
Yvonne T. Allmond

COMMISSIONERS ABSENT:

James Hyland
Manju Ganeriwala

OTHERS PRESENT:

Susan F. Dewey, Executive Director
J. Judson McKellar, Jr., Deputy of Legal and Finance
Donald L. Ritenour, Deputy of Programs
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wiglesworth, Managing Director of Information Technology Services
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Russ E. Wyatt, General Auditor
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
J. Michael Hawkins, Managing Director of Community Housing
Llewellyn C. Anderson, Director of Executive Services
Dale Wittie, Director of Rental Housing
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Frederick Bryant, Deputy General Counsel
Melody S. Barackman, Controller
Shelia Phillips, Assistant Director of Project Management
Barry Merchant, Senior Policy Analyst
Ron Reger, Risk Manager
John Hastings, Director of Rental Housing

Patrick Gluesing, Assistant Deputy Director of Programs
Eric Carter, Assistant Director of Single Family Default
Dave Henderson, Financial Systems and Reporting Manager
Michele Jackson, Executive Assistant
Bonnie McRae, Senior Executive Assistant
Cindy Puller, Systems Administrator
Marco Howard, Desktop Support Analyst
Patrick Corey, Loan Administration Manager
Denise Lindsey, Senior Staff Accountant

Chairman Hale called the meeting of the Committee of the Whole to order at 3:00 p.m. on October 1, 2013. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Chairman Hale asked that each of the Commissioners review their copy of Ms. Dewey's objectives for Fiscal Year 2014 and provide him with their comments, if any, by the end of the Board meeting.

Mr. Chandler reviewed the proposed changes to the Authority's Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2014 that were modified in response to comments received at the public hearing, including the following: adjustments to the per unit cost limits and the penalties for exceeding the cost limits; and the withdrawal of three proposed changes that would have included REACH funds in the subsidized funding point category and would have removed points for community rooms and new project-based subsidy.

Mr. Merchant presented a report on the status of Virginia's compliance with its settlement agreement with the United State Department of Justice to increase access to independent living options for individuals with developmental disabilities. In this report, Mr. Merchant discussed the roles and responsibilities of each state agency, including the Authority, in implementing Virginia's Plan to Increase Independent Living Options dated March 6, 2013 pursuant to a Memorandum of Understanding among the Department of Behavioral Health and Developmental Services, the Department of Housing and Community Development, the Department of Medical Assistance Services and the Authority.

Mr. Reger presented a report on feedback by the Commissioners on the content and structure of the Board meetings.

Ms. Dewey gave a report on the potential impact of the federal government shutdown on the Authority's programs.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: the Governor's Housing Conference to be held on November 20-22, 2013; letters to Virginia's Congressional delegation on the importance of the tax-exempt bonds, low-income housing tax credits and housing choice vouchers to the Authority's programs; work by the staff on an update to the state-wide housing needs assessment; staff participation in a Habitat Build in Falls Church on

September 20 and 21; and the final meeting of the Foreclosure Task Force held on September 17, 2013.

Commissioner Shelton reported on recent activities of the Department of Housing and Community Development including the following: the allocation of funds from the Virginia Housing Trust Fund to grant and loan applicants; proposed changes to the Virginia Building Code; contingency plans for potential state budget cuts; and preparation of plans by the Department to serve as the Performance Based Contract Administrator for the Commonwealth if the current litigation is settled or dismissed to allow HUD to award the contract.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 5:19 p.m. on October 1, 2013.

Chairman Hale called the regular meeting of the Board of Commissioners to order at approximately 10:00 a.m. on October 2, 2013. 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 6 and 7, 2013 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 Patrick K. Corey" dated October 2, 2013, 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 noted above as present at the meeting.

The resolution entitled "Resolution in Recognition and Appreciation of Thirty Years of Service by Denise D. Lindsey" dated October 2, 2013, 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 noted above as present at the meeting.

The resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated October 2, 2013, 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.

Chairman Hale, on behalf of the Committee of the Whole, reported that the Committee had received reports on the following matters: the proposed changes to the Authority's Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2014; the status of Virginia's compliance with its settlement agreement with the United State Department of Justice to increase access to independent living options for individuals with developmental disabilities; feedback by the Commissioners on the content and structure of Board meetings; the potential impact of the federal government shutdown on the Authority's programs; Ms. Dewey's report on the

Authority's operations; and Commissioner Shelton's report on the status of recent activities of the Department of Housing and Community Development.

Commissioner Fahl, on behalf of the Programs Committee, reported that the Committee had received and discussed a staff report summarizing proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2014 and had recommended approval of a resolution adopting the Qualified Allocation Plan, as amended. On motion duly made, 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 2, 2013 in the form attached hereto 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 considered staff reports on the status of the Authority's programs and outreach activities.

Commissioner Leon, 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 2013 and that KPMG had given its unqualified opinion on the audit and did not identify any deficiencies in internal control over financial reporting that KPMG considered to be material weaknesses. Commissioner Leon also reported that KPMG had issued its unqualified opinion on compliance with OMB Circular A-133 relating to expenditures of Federal awards and did not identify any material weaknesses in internal control over compliance requirements of A-133. Commissioner Leon summarized the reports received and considered by the Committee on the Authority's monthly financials and budget comparisons for the period July 1, 2013 through August 31, 2013 and on the status of the internal audit schedule and reports issued since the last Committee meeting.

Commissioner Leon, on behalf of the Operations Committee, reported that the Committee had received and discussed, and recommended approval of, a resolution to designate authorized officers of the Authority to engage in financial transactions with Fannie Mae. On motion duly made, the resolution entitled "Resolution- Authorized Officers Responsible for Financial Transactions with Fannie Mae" dated October 2, 2013. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Leon next reported that the Committee had received and discussed, and recommended approval of, a resolution to designate authorized officers of the Authority to engage in transactions with Ginnie Mae. On motion duly made, the resolution entitled "Resolution of Board of Commissioners and Certificate of Authorized Signatures" was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Leon stated that the Committee had received and discussed reports on recent activities in Human Resources, Organizational Development and Learning, and Project Management.

There being no further business, the meeting was adjourned at approximately 10:25 a.m. on October 2, 2013.

Kermit E. Hale, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON OCTOBER 1, 2013

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 October 1, 2013 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
Timothy M. Chapman
Marjorie N. Leon
Douglas R. Fahl

OTHERS PRESENT

Susan F. Dewey, Executive Director
Donald L. Ritenour, Deputy of Programs
J. Judson McKellar, Jr., Deputy of Legal and Finance
Arthur N. Bowen, Managing Director of Rental Housing
James M. Chandler, Director of Low Income Housing Tax Credit Programs

Chairman Hale called the meeting of the Committee to order at approximately 12:10 p.m. on October 1, 2013. 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 6, 2013 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The members of the Committee reviewed the performance objectives for Ms. Dewey for fiscal year 2014. Chairman Hale noted that, immediately prior to the meeting of the Committee of the Whole, the performance objectives would be made available to the other Commissioners for comment and would be approved by him in final form following the meeting of the Board of Commissioners on October 2, 2013.

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

There being no further business, the meeting was adjourned at approximately 1:21 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON OCTOBER 1, 2013

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 1, 2013 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, VA 23060.

COMMITTEE MEMBERS PRESENT:

Marjorie N. Leon, Chairman
Timothy M. Chapman
Yvonne T. Allmond
Jacqueline T. Black
Charles L. Krum, Jr.

COMMITTEE MEMBER ABSENT:

Manju Ganeriwala

OTHER COMMISSIONER PRESENT:

Kermit E. Hale

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Russ E. Wyatt, General Auditor
Judson McKellar, Deputy of Legal and Finance
Patrick J. Carey, Managing Director of Finance
Melody Barackman, Controller
David Henderson, Financial Systems and Reporting Manager
Ron Reger, Risk Manager
Bonnie McRae, Senior Executive Assistant
Donna Craver, KPMG
Rasheeda Perry, KPMG

The meeting of the Audit Committee was called to order by Committee Chairman Leon at approximately 2:00 p.m. on October 1, 2013. 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.

On motion duly made and seconded, the minutes of the meeting of the Committee held on August 6, 2013 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Ms. Perry presented a report on KPMG's audit of the Authority's financials for fiscal year 2013. In her report, Ms. Perry stated that the unqualified opinion of KPMG was issued on the Authority's fiscal year 2013 financial statements on September 12, 2013 and that KPMG did not identify any deficiencies in internal control that KPMG

considered to be material weaknesses. Ms. Craver advised the Committee that KPMG's unqualified opinion on compliance with OMB Circular A-133 relating to federal expenditures was issued on September 28, 2012 and that KPMG did not identify any material weaknesses in internal control.

Ms. Barackman reported on the Authority's monthly financials and budget comparison for the period July 1, 2013 through August 31, 2013. During this report, Commissioner Black joined the meeting. In her report, Ms. Barackman stated that excess revenues were \$21.5 million, surpassing the budget by \$6.6 million, and that programmatic expenses were \$3.5 million better than budget. She also stated that administrative expenses were under budget by \$1.5 million and that net assets totaled \$2.53 billion.

Mr. Wyatt reported on the status of the internal audit schedule, reports and recommendations. In the report, he indicated that there were no adverse reports issued since the last committee meeting and no control concerns that were previously reported to the Audit Committee that have not been successfully addressed by management.

There being no further business, the meeting was adjourned at 2:31 p.m. on October 1, 2013.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
HELD ON OCTOBER 2, 2013

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 2, 2013 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Douglas R. Fahl, Chairman
Kermit E. Hale
H. Richard Ashe
William C. Shelton

COMMITTEE MEMBER ABSENT

James Hyland

OTHER COMMISSIONERS PRESENT:

Marjorie N. Leon
Timothy M. Chapman
Yvonne T. Allmond
Jacqueline T. Black
Charles L. Krum, Jr.

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Deputy of Programs
Arthur N. Bowen, Managing Director of Rental Housing
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Paul M. Brennan, General Counsel
J. Michael Hawkins, Managing Director of Community Housing
Llewellyn C. Anderson, Director of Executive Services
Dale Wittie, Director of Rental Housing
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Fred Bryant, Deputy General Counsel
Eric Carter, Assistant Director of Single Family Default
Patrick Gluesing, Assistant Deputy Director of Programs
John Hastings, Director of Rental Housing
Michelle Jackson, Executive Assistant
Patrick Carey, Managing Director of Finance
Russ E. Wyatt, General Auditor
Ronald Reger, Risk Manager
Tammy Neale, Chief Learning Officer
J. Judson McKellar, Jr., Deputy of Legal and Finance
Janet Wiglesworth, Managing Director of Information Technology Services
Barbara Blankenship, Managing Director of Human Resources

The meeting of the Programs 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 Committee held on August 6, 2013 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Neale introduced the six inaugural hires under the Program Support Trainee program.

Mr. Chandler reviewed the proposed changes to the Authority's Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2014 that were modified in response to comments received at the public hearing.

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

Mr. Bowen presented a resolution to approve and ratify the reservations of the federal low-income housing tax credits. On motion duly made and seconded, a resolution to recommend the adoption of the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated August 7, 2013 was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. At this time, Commissioners Leon, Chapman, Allmond, Black and Krum left the meeting.

Mr. Carter presented reports on the status of delinquencies and foreclosures in the homeownership loan portfolio. Mr. Carter stated total delinquencies were 13.1% for the month ending August 2013, a 0.8% increase over August 2012. Mr. Carter reported that delinquency rates in the Ginnie Mae portfolio continue to be below Ginnie Mae thresholds.

Mr. Bowen presented a report on the status of delinquencies and foreclosures in the multi-family portfolio. Mr. Bowen advised the Committee that 14 of the 24 delinquent loans are owned or sponsored by RPJ Housing, and total delinquencies represent 0.36% of the multi-family portfolio's total outstanding principal balance.

Ms. Watson presented a report comparing new loan reservations for the period July 1, 2013 to September 15, 2013 to loan reservations for the period July 1, 2012 to September 15, 2012. Ms. Watson advised the Committee that the Authority had reserved 1,881 single family loans for a total loan amount of \$342 million. Ms. Watson noted that although production increased over the same period last year, the increase included 905 loans under the new Rapid Refinance Interest-Only Loan Program and that single-family loan production in the Authority's other single-family loan programs was down approximately 25% from the same period last year.

Mr. Wittie presented a report on multi-family loan production for the period July 25, 2013 to October 2, 2013. In this report, Mr. Wittie advised the Committee that 13 developments consisting of 1,559 units had been approved for mortgage loans in the total principal amount of approximately \$94.7 million. Mr. Wittie also noted that 12 of the 13 developments were supported with REACH *Virginia* funding that was needed to offset the rise in interest rates over the time these loans were in underwriting.

Mr. Bowen presented a report on the status of the disposition of the multi-family developments owned by the Authority noting that four developments are under contract for sale. Mr. Bowen also gave an overview of foreclosure history of the multi-family portfolio.

Mr. Hawkins presented the consolidated Community Outreach Board Report describing the Authority's activities in homeownership education, the Housing Choice Voucher program marketing and REACH. Mr. Hawkins noted the capacity building efforts with the Southside Outreach Group in South Boston and the leveraging of resources under the Rental Unit Accessibility Modification Grant Program with volunteer groups.

There being no further business, the meeting was adjourned at 9:45 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON OCTOBER 2, 2013

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 2, 2013 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Marjorie N. Leon, Chairman
Yvonne T. Allmond
Jacqueline T. Black
Timothy M. Chapman
Charles L. Krum, Jr.

COMMITTEE MEMBER ABSENT:

Manju Ganeriwala

OTHERS PRESENT:

Barbara Blankenship, Managing Director of Human Resources
Patrick J. Carey, Managing Director of Finance
J. Judson McKellar, Jr., Deputy of Legal and Finance
Tammy Neale, Chief Learning Officer
Shelia Phillips, Assistant Director of Project Management
Janet Wigglesworth, Managing Director of Information Technology Services
Russ E. Wyatt, General Auditor
Bonnie McRae, Senior Executive Assistant

The meeting of the Operations Committee was called to order by Committee Chairman Leon at approximately 9:15 a.m. on October 2, 2013. 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, 2013 were approved by the affirmative vote of each of the members of the Committee noted above as present.

Mr. Carey presented resolutions to designate authorized officers of the Authority to engage in transactions with Fannie Mae and Ginnie Mae. On motion duly made and seconded, a resolution to recommend the adoption of the resolutions entitled "Resolution- Authorized Officers Responsible for Financial Transactions with Fannie Mae" dated October 2, 2013 and "Resolution of Board of Commissioners and Certificate of Authorized Signatures" dated October 2, 2013 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Ms. Blankenship reported on the status of year end performance management and stated that she will report on the results at the December meeting of the Committee.

Ms. Neale reported on professional development, employee engagement and organizational development work by the Organizational Development and Learning Division since the August meeting of the Committee.

Ms. Phillips reviewed the active Project Management Office portfolio of programs and projects and discussed with the Committee Members the status of Headquarters renovations and the single family solution suite project.

There being no further business, the meeting was adjourned at 9:36 a.m. on October 2, 2013.