TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

TSAHC Offices
2200 East Martin Luther King Jr. Blvd.
Austin, Texas 78702

Thursday,
July 19, 2012
10:00 a.m.

BOARD MEMBERS:

ROBERT “BOB” JONES, Chair
JO VAN HOVEL, Vice Chair (not present)
WILLIAM H. DIETZ, JR. (not present)
GERRY EVENWEL
JERRY ROMERO

I N D E X

P R O C E E D I N G S

MR. JONES: The July meeting of the Texas State Affordable Housing Corporation Board of Directors is called to order.

Jo Van Hovel, Vice Chair?

(Not present.)

MR. JONES: William Dietz, Member?

(Not present.)

MR. JONES: Gerry Evenwel, Member?

MR. EVENWEL: Present.

MR. JONES: Jerry Romero, Member?

MR. ROMERO: Here.

MR. JONES: And Bob Jones, here.

Is there any public comment at this time, anybody that wants to make public comment?

(No response.)

MR. JONES: We have a quorum. And at this time I will have David Long, president of the Corporation, with the president's report.

MR. LONG: Thank you, Mr. Chairman.

What I want to do before I get into my formal president's report, I wanted to introduce you to Matt Hull. Matt Hull is the new executive director of the Texas Association of CDCs.

MR. JONES: Remember when you say acronyms, you have to explain.

MR. LONG: Oh, I'm sorry. The Texas Association of CDCs,

TACDC, if you will.

MR. JONES: And CDCs are?

MR. LONG: Community Development Corporations.

MR. JONES: Okay.

MR. LONG: And I wanted to make sure you got a chance to meet Matt, one, he is the new executive director, as I mentioned, but they're here in our building with us, so I thought it would be appropriate for Matt to just say a few words and introduce him so he can get back to work.

So Matt, it's all you.

MR. HULL: Thanks, David. Mr. Chairman, my name is Matt Hull. I'm the new executive director with the Texas Association of CDCs, but before coming to TACDC I was the executive director with Habitat for Humanity of Texas, the state association there.

I just wanted to come by, introduce myself, if you need anything, garbage taken out, custodial services, we do that.

(General laughter.)

MR. HULL: Our mission is to provide technical assistance, research, policy support to roughly 250 non-profits across the state doing affordable housing community economic development. Those are our members. They're the ones who are on the ground building affordable housing, running micro lending programs and helping support people of need across the state.

Thank you so much for giving me a moment just to introduce myself, and I look forward to working with each of you over the next couple of

years.

MR. JONES: Thank you very much. Any comments or questions?

(General talking and laughter.)

MR. LONG: Thanks, Matt.

I guess what I would like to do then is just kind of introduce our guests. We have with us Linda Patterson who is available to speak with you regarding the quarterly and monthly reports that are in there. Don Mikeska of our auditing firm is here, with Mikeska, Monahan, Peckham. Chris Spelbring with Morgan Keegan Raymond James is here, the underwriting firm that we work with. And obviously, our illustrious counsel is here somewhere, Pam Stein, there she is.

He'll be speaking to you a little later, but Charlie Leal is our new Government Relations specialist. I mentioned to you at the last meeting that we were in the process of finalizing the hiring of a new Government Relations specialist, and Charlie Leal is here. He'll be up here to talk with you a little later.

A couple of quick updates. What I wanted to do is let you know what we are going to do is today we're going to have three staff program reports that are going to be made by the staff. At the last board meeting the board had suggested that we kind of get a little bit more in depth during these meetings, a little bit greater in depth on staff reports, and we're going to try and do those a little bit every month or as we have meetings, and today we have three of them: Single Family, Multifamily and Government Relations. So they'll be talking to

you a little bit more later today.

Update on a couple of things that have been going on. The Texas Foreclosure Prevention Task Force had its annual meeting in Dallas at the Federal Reserve Bank in the middle part of June, and Katie and Paige attended that. I think it was very well received. There were over 500 people that attended it via webinar and about 100-plus people that attended in person.

In relation to that, the National Foreclosure Mitigation Council, NFMC, awards that the Texas Department of Housing and Community Affairs receives and we administer for them, Round 6 has been finalized. The award amount is $366,700 and some change. We'll be probably anticipating to get the first draw on that in August. There's eleven counseling organizations that we'll be working with and the orientation call for getting them all prepped and geared up for Round 6 was held yesterday here at the office. It's my understanding Katie and Laura were on that call, and then somebody from TDHCA participated as well.

I had the chance to attend the TACDC, Texas Association of CDCs, they do a board retreat every year and we've been invited to that the last several years for a couple of reasons, Mr. Evenwel. One, we are a partner with them in some things and we wanted to continue to coordinate with them. The other thing is on the end of their meeting we have our Texas Community Capital meeting which is a partnership that we have for a 501(c)(3) where two people from our board appointment and two members from their board appointment, and then we have a fifth member at large. And so Jerry Romero and Cynthia Leon serve as our board member appointments, and Mr. Romero was not able

to attend it, he was on travel, but Cynthia Leon did attend and I was able to be there for that meeting as well. So that meeting was held on June 28.

Had a meeting with Austin Habitat for Humanity. There have been a little changes going on there, but I had a chance to meet with the new executive director earlier this month. Just wanted to let you know about that, and we'll be talking with them a little bit more about how we can continue to coordinate with them.

Staff have attended in the last couple of weeks Senate IGR work group meetings that are going on. They're in relation to the interim charges that the Senate IGR Committee has been kind of overseeing and putting out, and we've been talking to them now more of a down in the dirt type thing with the work groups and there were several people attending there.

MR. JONES: Intergovernmental Relations?

MR. LONG: I'm sorry. Senate IGR is Senate Intergovernmental Relations. Thank you. And it's chaired by Senator Royce West.

Myself and Jo Ropiak had a chance to join the National Community Stabilization Trust, NCST. Their representative flew into town from Dallas and we attended meetings with them in San Antonio with the American GI Forum, and then came back up here and had meetings with the Texas Veterans Commission, all in conjunction with they had asked us to participate to see if there is a way that we can help them become more engaged in the housing side of what they do, and since we are a partner with them and retain housing and work with them to get housing and see if we couldn't coordinate a

partnership further where there was housing involved in that partnership, besides the services that they provide to the Vet society and all that group. So we're going to go down that path with them and see how that works out.

But the Vets have been something that's really high in the media these days and certainly NCST is looking to see if they'd be willing to engage in more of a housing responsibility as well, so we were more than happy to talk with them about that.

Earlier this week, Mindy Green and myself flew to Washington, D.C. and attended the National Alliance to End Homelessness Conference. That was Monday through yesterday. I had a great time trying to get home last night with weather, but we made it home. Good conference. Also had a chance to meet with the U.S. Interagency Council to End Homelessness, and yesterday we had a chance to actually meet with Congressman Doggett and met with Congressman Carter's staff yesterday before we left.

Next week is the Texas Association of Affordable Housing Providers conference. For your sake, Mr. Evenwel, they're typically the multifamily developer organization, and they have their conference here in Austin every year, and that's next week and several of the staff are attending that.

We have a staff development day tomorrow. We will be out of the office all day tomorrow doing a staff development day. We typically do this once a year. We're going to go out and try and manage the heat at a park tomorrow and just kind of an out of the office meeting, kind of relaxed forum and just try and talk through some things and enjoy ourselves a little bit.

And again with that, Mr. Chairman, I'll end my remarks. We will have the staff reports that are in here, we're going to have three staff presentations before we move into the full agenda, and with that, I'll answer any questions you might have regarding the staff reports that are in here, and then if not, we'll go into the actual formal staff presentations.

MR. JONES: Any questions on the staff reports?

MR. ROMERO: Yes. I have a couple of questions in regard to Single Family.

MR. JONES: Go ahead.

MR. ROMERO: There was a dramatic increase from March forward in the number of applications.

MR. JONES: What tab are you referring to?

MR. ROMERO: Tab A, I believe, the one for $173 million. So what do you attribute that to?

MR. LONG: Great program.

MS. OMOHUNDRO: Yes. I mean, I can go right into actually --

MR. JONES: Identification for the record.

MS. OMOHUNDRO: Oh, I'm sorry. Paige Omohundro. I'm coming before you as a married lady for the first time, I think. New name, same gal. I'm the Homeownership Finance manager for the Texas State Affordable Housing Corporation.

MR. JONES: Great introduction.

MS. OMOHUNDRO: Thanks.

I am on the agenda to give the Homeownership report, so this goes right into kind of what I was going to talk to you guys about, if you want me to wait, but I'm happy to answer the question.

Bottom line, we have a really great program right now and it's been very successful for us, as you can see in our reports. We're helping a lot of people. And part of our strategic plan and stated objectives that we're working with Corcoran & Company on is to always provide our borrowers with the best product we can, and part of that is offering a really great rate, a fixed interest rate loan, and then a form of down payment assistance. And we always strive and have been able to achieve this in offering that down payment assistance as a grant to the borrower, meaning they don't have to pay it back.

And so in 2011, just to kind of give you a little bit of a snapshot, between our home loan programs and our Mortgage Credit Certificate program, we originated about $108 million, that was for the year. We've almost achieved that alone in 2012 since January in our programs, so that tells you that we have a really great product and that we're doing a really great job in marketing it and getting it out there for the public to use.

In our home loan programs we've done $60 million since January. That's assisting over 500 new homeowners. And we've been really monitoring the interest rate we're offering and the level of down payment assistance that we're offering. In fact, we lowered our interest rate to 4 percent a few weeks ago and we are providing since January a grant that's equal to 5 percent of their loan amount which for the past couple of years we've only been able to provide a 3 percent grant. So that up-tick or that extra level of down

payment assistance has been incredibly attractive and something that our demographic really needs to become a homeowner. So I attribute the rise in numbers to that, that great rate and that level of down payment assistance.

Our Mortgage Credit Certificate is doing just as well. We, since January, have done $34.5 million, and that's assisting over 270 new homeowners with a Mortgage Credit Certificate, and we just hope this trend continues for the rest of the year, if not for as long as we have these programs.

We have a really great team that we work with, Morgan Keegan is our partner in our To Be announced program which is our home loan program, and then First Southwest Company is our MCC administrator, and we really rely on those partnerships to make our programs possible.

MR. JONES: MCC administrator means?

MS. OMOHUNDRO: Mortgage Credit Certificate is the other form of assistance. TSAHC offers two forms of assistance to homeowners: one is a fixed rate product with down payment assistance, and the other is a Mortgage Credit Certificate.

And you just helped me go into my next big point, I do have some really big news to share with you guys. We are working with -- what are you laughing at?

MR. LONG: I just think it's good, it's good stuff.

MS. OMOHUNDRO: It is good stuff. See, we used to do these manager reports to you guys at every single board meeting and I think it's because of me that you cut us off from doing this because I can just go on forever.

(General laughter.)

MS. OMOHUNDRO: But we all have really great things to say and I'm glad you're giving us the opportunity to share it with you.

Under our current home loan program, it's not being financed with mortgage revenue bonds. The market just isn't making that product feasible for us right now, or attractive. We wouldn't be able to offer the rate and level of down payment assistance that we're offering our current borrowers under the tax-exempt bond transactions that we've typically done in the past. So we're doing a program with Morgan Keegan called our To Be Announced program, so we're not using financing of mortgage revenue bonds to make it possible.

That said, we have some discretion, some wiggle room in the requirements that we're allowed to impose upon our qualifying borrowers. If you use tax-exempt bonds to issue mortgages, those borrowers have to be first-time homebuyers. So I'm excited to say to you that we're working and hoping to release a program very soon where we don't require our demographic to be first-time homebuyers. It's just going to increase the number heroes and educators and lower income households that we can serve.

And the extra beauty in that is that in the past with our two forms of assistance, both made possible through mortgage revenue bonds, you couldn't use our MCC program with our home loan program. Now that we're not using tax-exempt bonds to make our home loan programs possible, it can be stacked with our Mortgage Credit Certificate program. So talk about a win-win for the homeowner. Not only are they getting a great rate with a grant for down

payment assistance, they're then going to have the ability, if they are, in fact, a first-time homebuyer, to stack it with a Mortgage Credit Certificate which allows them to take an annual tax credit on their income taxes every year for the life of the loan. So we're making our product even more robust and making homeownership that much more affordable for our borrowers.

MR. JONES: And what do you do for the Heroes fund that are not first-time homebuyers?

MS. OMOHUNDRO: They then just have the ability, if they're not a first-time homebuyer, they can still use our home loan program which is our fixed rate product with down payment assistance. It just so happens if they are, in fact, a first-time homebuyer, they get the benefit of being able to use the two programs together.

MR. ROMERO: Is there a restriction on the first-time homebuyer? Is there a time frame?

MS. OMOHUNDRO: What do you mean is there a time frame?

MR. ROMERO: It has to be a full-time first-time homebuyer? Could it have been someone that hasn't bought a home in five years?

MS. OMOHUNDRO: Right. Our definition of first-time homebuyer is someone that hasn't had ownership interest and lived in a property for the past three years. That's usually kind of the standard.

MR. ROMERO: So if they're past the three years, they can get the benefit of both programs.

MS. OMOHUNDRO: Right. That's correct. So that's some big news. And we hope to be releasing that to the public very shortly.

MR. ROMERO: And TBA?

MS. OMOHUNDRO: TBA, to be announced?

MR. ROMERO: Yes. Is that what you're going to call it?

MS. OMOHUNDRO: No. We're still calling it our Professional Educator Home Loan Program and our Homes for Texas Heroes Home Loan Program.

MR. LONG: Internally, it's just the term that the market is using, but we still have it as our programs, as Paige just said. We offer the same programs we always did. The financing behind it is what she's actually outlining for you now.

MR. JONES: You will come up with a new name, or no?

MR. LONG: No. The names are what they are, the Educator program, the Heroes program, and the Home Sweet Loan program are the names of our programs. The structure behind the financing is what the financing market is going TBA, or whatever you want to call it.

MR. JONES: Will we be the first to do this?

MS. OMOHUNDRO: In Texas, yes, that we're aware of, yes. I mean, I'm positive that other issuers of bonds that are using the same type of financing will move toward this model, it's just we've been able to get out there and make it happen.

MR. LONG: This is something that kind of was a move from when we did the New Issuance Bond Program, the NIBP program, or the Treasury was subsidizing the assistance in that program or they were buying bonds at a lower rate. This allows us to move from that program to this

program, and it just gives us a chance to where we're not using bonding authority, as Paige said. So by not using bonding authority, we can open the door up to additional borrowers. So really the expansion is really big news and Paige is giving you an announcement that we've been working on for several months to try and get there with counsel and everybody else to make sure we do it right, but to be able to expand our program from not only the First-Time Homebuyer Program where they have all three benefits, but also to expand into non first-time homebuyers is a new expansion for us. So we're trying to take that very seriously, but at the same time not lose focus on the borrowers we're trying to serve which is the affordability side of it.

MR. JONES: So based on that criteria, not owning a home for at least three years or more in the Heroes, for example, how many people do you expect to help, how many can you help? Is there a cap?

MS. OMOHUNDRO: No, there's not a cap on the number of individuals we can help. Under our current way of financing these programs, it's unlimited at the moment. But I can't give you a good estimate of what we might experience with the lift of this particular requirements. Our borrowers are still subject to income and purchase price limits, so if a family that's moving up and wanting to move on into a bigger home, their income is increased, well, they may not be able to participate in our program because their income may be too much. So I'm looking forward to reporting back to you guys after we've been doing the program for a couple of months to see if that makes a difference or not. We certainly believe it will increase our volume.

MR. JONES: So your timetable to get this started is when?

MS. OMOHUNDRO: I would like to say in the next month for sure we're going to release the program, if not sooner.

MR. ROMERO: And correct me if I'm wrong. I think, Bob, you had mentioned about owning a home. They can actually own a home now under the new program as long as they haven't purchased one in the last three years. Right?

MS. OMOHUNDRO: Under the new?

MR. ROMERO: Right.

MS. OMOHUNDRO: Yes. If they are going to purchase that home and it's going to be a principal residence. So we're not helping people buy second homes, vacation homes, rental homes, that sort of thing. It has to be a home that they intend live in as a principal residence.

MR. JONES: So they have a mortgage, they're in a home and they've been in that home for five years and they want to get rid of that home and buy another one, they're eligible?

MS. OMOHUNDRO: Yes.

MR. ROMERO: If they meet the income guidelines and so forth.

MS. OMOHUNDRO: Correct. None of the other requirements have changed other than this first-time homebuyer requirement. So we're still serving the borrowers we're charged with serving at the incomes that they need to be at.

I'll run through the rest of our good news very quickly here.

MR. ROMERO: Hold on, Paige. Before you go forward, on that report again, on the Tab A report, there's been some news coming out of

FHA where they've been having some issues with delinquencies, and our bond program right now, we do about 99 percent of our production through FHA. Have you looked into that or heard about that, that they might be changing some of their processes?

MS. OMOHUNDRO: I can say that we do monitor our delinquencies and foreclosures on a quarterly basis and I'm getting ready to do our July report.

MR. ROMERO: Well, it's not ours, it's FHA as a whole has been experiencing some higher delinquencies than they like, and it was my understanding, and I don't know if you've heard anything along those lines that they're looking at their current guidelines as to how they can restructure them or change them in order to try avoid getting those higher delinquencies.

MS. OMOHUNDRO: I see what you're saying. Yes, we do speak with our servicer about those issues, and we have been in discussion with them. We currently require our borrowers to have a minimum credit score of 620, for example. We're in some pretty heavy discussions whether we need to increase that credit score minimum to maybe a 640 in an effort to help with those delinquencies and foreclosure rates.

MR. ROMERO: What is FHA guidelines on the credit score?

MS. OMOHUNDRO: I think their current credit score is 620, if not 580, actually.

MR. JONES: But the ones that we're doing, we're not experiencing that delinquency per se?

MS. OMOHUNDRO: Right. Our delinquency rate is much

lower than the national portfolio, and our foreclosure rate is much, much lower. The last report that I did in April was .34 percent in foreclosure of our over 3,800 borrowers using our program.

MR. LONG: Less than half of one percent.

MR. ROMERO: And my concern wasn't so much with our delinquencies, with the corporation's delinquencies.

MS. OMOHUNDRO: How it might affect our program.

MR. ROMERO: Right.

MS. OMOHUNDRO: I mean, we may have some of our borrowers not be able to utilize our program if, for example, if we have to increase our minimum credit score. But you know, we are in the business of making homes affordable and not necessarily just getting a person in a home, so that wouldn't be necessarily a bad thing.

MR. ROMERO: And one last question real quick. We talked about changing over to this new program, but the bond program is still a viable program for us should the market change and it becomes a more viable product.

MS. OMOHUNDRO: Absolutely.

MR. LONG: I would add to that, Mr. Romero, that the current conditions in the market, as Paige mentioned earlier, the bond market isn't viable enough where we could offer a market rate if we were to issue tax-exempt bonding authority. That said, that market could change and the TBA program, the financing structure, the TBA structure could become less viable and the tax-exempt bond market could become a more viable option. We still have the bonding authority that we've always had and we will continue to seek bonding

authority for our MCC program and any time the market changes and we need that, we will continue to get our annual allocation of bonding authority which we get statutorily.

MS. OMOHUNDRO: In fact, there's a resolution before you today where we are asking for us to some of our mortgage revenue bonding authority. So that's important. We're given an annual allocation and we want to make sure we can use it in some way.

Mr. Romero, does that take care of it?

MR. ROMERO: Yes.

MR. JONES: So we're going to continue with Paige and her down payment assistance and her mortgage credit certification presentation as a staff report.

MR. LONG: Yes.

MS. OMOHUNDRO: Go into the resolution?

MR. LONG: No. Just continue with the report.

MR. JONES: No. Go into the rest of your report.

MS. OMOHUNDRO: Okay. Thank you.

We're also always trying to extend our reach in assisting borrowers in underserved rural communities, and we set out to accomplish this through expanding our lender network, for example. I think we have the greatest participation that we've ever had with our lenders. For example, we have 38 lenders participating in our home loan programs, we have 47 lenders participating in our Mortgage Credit Certificate Program, and of those lenders 26 of them are participating in both programs. So we have many, many

companies that we're working with that have hundreds of loan officers to be able to assist our qualifying borrowers.

We also like to expand our Realtor network, and staff members and myself have been participating in the course that the Texas Association of Realtors puts on called United Texas, and this is a really incredible course and we can go around the state informing Realtors of different down payment assistance programs that are available in their market. As we've been able to reach a rural market, we went to Abilene recently, we've been to Houston several times, we're going to San Antonio in the upcoming month, as well as doing a presentation here in Austin, we appreciate that partnership that we have with the Texas Association of Realtors. Realtors are very vital to assisting first-time homebuyers.

We also use that opportunity to network with our partners, the Texas Department of Housing and Community Affairs, as well as the Veterans Land Board that both have homeownership programs, and then the local issuers as well, so we really appreciate being able to come together, working together to see how our programs might be stacked to further affordable housing.

We're also always exploring new funding opportunities that can enhance our existing programs, and we're very thankful that we were awarded $50,000 from the Wells Fargo Foundation under their priority markets initiative. That particular initiative was made possible in the El Paso County area, and I'm happy to report, Mr. Romero, that we've been able to commit that $50,000 in full and we've assisted 25 homebuyers with those additional funds.

MR. ROMERO: It took you how long, a month and a half?

MS. OMOHUNDRO: Probably about two months. Once it got going, the commitments started coming in. That particular program allowed those borrowers using our home loan program to get an additional two points of down payment assistance, so for a total of 7 percent of grant in down payment assistance which really helped that market.

We're always also exploring new groups to market our programs to, we're always trying to increase our participation by our Heroes and our Educators, particularly, and our Heroes program we found a new market, the Texas Municipal Police Association. Ms Taylor has placed ads in their publication which has generated lots of calls, so we really hope to reach a lot more heroes through that type of endeavor.

We have great things going on in our Homeownership programs, and thank you again for allowing me to present to you today.

MR. JONES: Any questions, Jerry or Gerry?

MR. EVENWEL: No.

MR. JONES: Thank you. Well done, Paige.

MR. ROMERO: Mr. Chair, before you move forward, can I ask a question on the second report, on the investment report?

MR. JONES: Before we do staff reports, he wants to go back to the president's report.

MR. ROMERO: Yes. The investment report, do we have as part of our investment policy that we can buy brokered CDS?

MS. PATTERSON: On your policy, yes.

MR. LONG: Linda, can you come up? That's Linda Patterson,

just for the record.

MS. PATTERSON: I'm Linda Patterson with Patterson & Associates. I'm your investment advisor. And I understood that you had some questions about the portfolio.

MR. ROMERO: So on the brokered CDS, what is the total that we have right now in brokered CDS, and do you know what the return is?

MS. PATTERSON: Right now you have none.

MR. ROMERO: We have none. Okay.

MS. PATTERSON: The brokered CDS are only FDIC so they're $250- or less, and the rates are not beating the other CDS right now, so we have none. I'm very cautious about the brokered CDS. There are a lot of provisions in there that make brokered CDS a lot different than CDS themselves, depository CDS, so we're very cautious there, first of all, making sure that the banks that are offering them are actually FDIC insured, which is not always the case. And secondly, you have to be very careful in monitoring those because it's a different situation if you have a merger or acquisition situation between two banks, if they're depository CDS, the FDIC coverage moves with them, that's not the case with a brokered CD. But the bottom line is the yield is not there.

MR. ROMERO: If the yield was there, would you look at considering those?

MS. PATTERSON: Oh, sure.

MR. ROMERO: What would you recommend if we did that, what kind of term?

MS. PATTERSON: I really don't recommend you go over one

year.

MR. ROMERO: So you would allow those CDS if we decided to go into the market?

MS. PATTERSON: Yes.

MR. JONES: And the brokered CD differs in what respect?

MS. PATTERSON: A brokered CD sounds like a CD but it is a security, it's actually a brokered certificate of deposit security, just like a Fannie or a Freddie or a Treasury as a QSIP and is a security as opposed to a depository relationship. That's why some people like them because it's easier to trade them, to buy them, you can sell them on the secondary market, you can buy them on the secondary market, it's simply issued by a bank.

Now, one other great difference, especially here in Texas, is that I know of no banks here in Texas that issue brokered CD securities. You go outside of Texas which is not a problem at all, it's just a matter of watching very closely.

MR. ROMERO: One of the advantages, Bob, is that you're able to go out and purchase CDS at more than one financial institution and still, hopefully, have the FDIC coverage. If you do it with just one bank, you're only covered up to one CD for $250,000.

MR. JONES: Right. So why would they call them brokered CDS if they're securities, from the layman's point of view?

MS. PATTERSON: From a layman's point of view because it's being issued by a bank and the familiar term, it is a certificate coming out of a bank, and it's also kind of a marketing ploy.

MR. JONES: But it's not based on deposit.

MS. PATTERSON: No. It is truly a security.

MR. JONES: A CD meaning certificate of deposit.

MS. PATTERSON: And another difference is if you do a CD with a bank, well, first of all, the paperwork is a lot different because you're actually creating a depository relationship and the money stays in that bank and the CD stays, it's just a piece of paper, but the relationship, the underlying documentation is what creates the CD in a depository relationship. In a brokered CD, it's actually brought in just like any other security and cleared through Federal Reserve wire and brought into your depository for safekeeping. So two completely different animals. Unfortunately, they just have a very similar name so people assume that when they're going into a CD, they actually have to be careful they're not going into a brokered.

MR. ROMERO: What do you know about investments from the country of Israel?

MS. PATTERSON: I know it's in the law, I know it went into law when I was at state. It's a political statement. Actually, it is dependent upon -- the market assumes that it is dependent upon the credit of the United States Government since we're such a big supporter. They're actually created in Houston and they're denominated in dollars. They very rarely move in the market, they've got great rates, but about the shortest you can buy is two years and you'll never find them on the secondary market. I actually own some myself.

MR. ROMERO: There hasn't been a loss in that portfolio.

Correct? That's something to consider.

MS. PATTERSON: Well, if you look at your portfolio -- because I did bring a few things because I thought maybe it would put it into context, would give you an idea of a little bit of what's happening out there -- you, as the corporation, are very concerned about your liquidity.

MR. JONES: Right.

MS. PATTERSON: And that limits us significantly.

Now, if you look at the yield curve there on the first, I think that tells the whole story of what's happening and why the portfolio looks like it does right now. The overall yield on your portfolio is about a .25 which sounds absolutely horrible, and is, but that is the equivalent of the two-year, and you can see how flat that yield curve is, and it's because, as the headline says, the bond market wants safety. And the money in the world is running into the bond market for the Treasuries and the agencies because of the high credit quality. And so until we start getting some of the uncertainty out of the market, uncertainty over our election, uncertainty over our congressional hearings, and movement of uncertainty over Europe and our economic condition generally, this curve is going to stay pretty much that flat.

At the same time, you've actually picked up some liquidity. Back in December you had a portfolio totaling $5 million, now it's up to $7-, but in working with staff, staff is very concerned because of the flows of your money that we stay relatively short, and basically, out to six months there is not much. We use actually a lot of tax-exempt municipal, state and local obligations, general obligations to get the tax revenue backing from them and not looking at

revenue bonds. But there again, you really can't get much of that short of one year, so we're a little bit constrained on your time horizon right now.

MR. JONES: FOMC?

MS. PATTERSON: FOMC, the Federal Open Markets Committee, that's Chairman Bernanke and the governors and other advisors to the Federal Reserve, and they meet every six weeks. They're the ones who set the discount and fed funds rate.

MR. ROMERO: What's the total return on our portfolio?

MS. PATTERSON: .25 which, as I said, your benchmarks on the six-month and the one-year which are sitting at a resounding .06 and .17, so you have to go out as far as a two-year to match what you're getting. I cannot wait until we can go to the left of the decimal again, but you can't do that except over one year, it's not possible to do it.

What we try to do, and you can see on your reports, we try to use a lot of the CDS because even though the banks are flush with money and they really don't want very much money, there are certain banks here in Texas which have been very, very accommodative in getting us good rates closer to .3, .5 at some point. They've all come down, like everything else. So we use Plains, we use IBC, we use Hillcrest, Libertad, all over the state. If you know of any, let me know because we're always looking for good rates there.

So we use the CDS, that's about the best rate that you can get in the six-month area, and then you use the money market accounts, the NOW accounts where we can find those, put them in place to also get you a little bit of rate on liquidity. The pools which, of course, usually are good for liquidity, are

sitting down at a .1-.15.

MR. ROMERO: So then what's our policy? We don't go out further than twelve months?

MR. LONG: In the past we've tried to work within a two-year WAM. Correct, Linda?

MS. PATTERSON: Well, your WAM is shorter than that, but your maximum maturity is two years.

MR. ROMERO: I'm just wondering if we can't go back and look at that and maybe decide what kind of percentage of our portfolio.

MR. LONG: I was just making a note, six months versus twelve months, and I haven't met with Ms. Smith on this and we need to sit down and probably reevaluate with Ms. Patterson and kind of see what our upcoming liquidity needs are. I know we've been trying to use some of our liquidity in some of our programs, so we've tried to stay a little bit more liquid, as Linda said, but at the same time we want to try and maximize. But it's kind of just an even, you know, watching the market, making sure we're doing everything and the right strategy fits in with what we need for funding.

MS. PATTERSON: It really always comes down to your cash flow, and as I say, you've picked up about $2 million over the last six months, I think that might give us a little bit more of a cushion and make staff feel a little bit more comfortable. But the problem with going out too far right now, of course, is that I don't expect the rates to change. I expect them to change a little bit quicker than Ben Bernanke does because I think the market will ride there, but I think probably the last thing you want to do is get out too far and have those

rates rise, because when those rates rise, of course, then you're stuck unless you can take a principal loss because the price is coming down.

MR. JONES: So my understanding is, Jerry, that you think they're not going up. What is it that you see about what they do, that you're suggesting and why?

MR. ROMERO: And it's not what they do, it's what we've chosen for them to do.

MR. JONES: You still think it's a solid strategy.

MS. PATTERSON: I'm taking a great deal of my portfolios where I know there's reserve cash and going out into the one-year. The one-year area to me is a good area, one year to 18 months, but it has to be money that you feel comfortable that that is a core, that is a reserve, that you're not going to need.

MR. JONES: So in light of that, with Jerry's suggestion is hypothetical, what do you see there right now off the top of your head?

MS. PATTERSON: Well, I took a look, when Melinda called this morning, and I looked back since '07 and your average in the portfolio has been $6.1 million. So when you got down to $5 million, yes, you were below average and there was every reason in the world to stay shorter. If you're going to be up around $7- and stay a little bit longer, I don't see why we couldn't look at what's going to happen to money. That's always the key, what are they going to do going forward, and take some of it and maybe start with $1 million of it and take it out a little bit further.

MR. ROMERO: That's my point.

MR. JONES: At this point now go a little longer and stabilize.

MR. ROMERO: But just on a portion of our portfolio so that we're not that risky. So if you think we've got $2 million or a million and some change from where we've been on an average basis, invest that in a little longer term, it's still going to be a safe investment.

MS. PATTERSON: And not terribly long, $1 million, really good credit. If you had to, you can always get your hands on it and it's going to be a minor loss to it, especially being at the one-year area, but also, if you felt more comfortable going out a little bit, we could take more out of the liquidity and put it into the six-month area. There's literally nothing less than six months, but at least six and nine months.

MR. LONG: And we can discuss that further internally.

MR. ROMERO: If we could triple our return, I'd be happy, but we're still going to be under 1 percent.

MR. LONG: Well, that's the analogy. We try and put all of our money to use almost all the time, so the analogy, Mr. Romero, is that unfortunately, if we were talking we were only getting 2 and we could get 6, there's a big difference there between getting .06 versus getting .25. I get there's a big change there but still the liquidity needs maybe aren't as significant in a change when we do the investment strategy that I'm so worried about going out and trying to gain an extra 18 basis points, if you will, versus losing 4 points in the market, like we're at right now.

But we have been growing the portfolio a little bit, as Linda said, and as a result, maybe we can go back and reevaluate if we have a little extra

room there to take away from the liquidity and put it into a longer term investment. But again, I would agree with Linda, I don't think we're looking at going two-three years, I still think we're staying within the 12 to 18 month window.

MS. PATTERSON: But on a good day, within the last month on a good day get a little pull-back in the market, we've been able to get real close, if not over, 1 percent in the one-year area for municipal bonds, and those are GOs and we have very strict constraints on them. We don't look at California, we don't look at Michigan, we don't look at Florida, we're very careful about what we're investing in on this.

MR. JONES: Okay. Any other questions?

(No response.)

MR. LONG: Thank you, Linda. Appreciate it.

MS. PATTERSON: Always a pleasure.

MR. JONES: David Danenfelzer is going to do the Direct Lending Program, and he's got a handout. Thank you, David.

MR. DANENFELZER: Good morning. My name is David Danenfelzer, manager of Development Finance.

This morning we're going to be speaking to you about the corporation's direct lending programs and give you a very kind of 30,000-foot view of the program in general.

Since 2002 the corporation has provided both short- and long-term loans to developers of affordable housing, leveraging its own financial resources to provide more than $10 million in loans, creating 1,960 units of

housing across the State of Texas. I use the term leveraging because the loans are funded not only by the corporation's financial resources but by monies from private financial institutions, foundations and banking partners.

The corporation has only committed around $2.8 million of its own funds into these projects, meanwhile, with partners like Wells Fargo and the Meadows Foundation, we've been able to receive more than $1.5 million in program-related investments in order to provide these low interest loans. Our relationship with the Community Development Trust has allowed us to sell more than $4 million in loans allowing us to free up additional capital for new lines of credit, and our membership in the Federal Home Loan Bank of Dallas has allowed us to collateralize nearly $2 million in loans, again, further allowing us to multiply the impacts that we have in affordable housing.

Although I may be the front man for this program, I'm not alone in managing it. Betsy Aldridge and Nick Lawrence are in our accounting division. They manage all of our financial resources and keep me in check with the monies that I have. Jo Ropiak processes our draw requests for revolving lines of credit --

MR. JONES: Keeping you in check because you would splurge.

(General laughter.)

MR. DANENFELZER: Well, I have to know what I've got before I can go give it away, and so yes, they do definitely keep me in check. And Cynthia Gonzales keeps my files safe and well organized. Mindy Green provides us monthly updates on asset oversight for our multifamily projects. Our monthly loan servicing meetings are carefully watched over by Liz Bayless

and Melinda Smith. And last, but no least, with the help of Janie Taylor and Katie Howard, we are able to seek out and apply for new sources of capital to support our activities.

MR. ROMERO: So what do you do?

(General laughter.)

MR. DANENFELZER: I get to give you these reports.

So my point is, though, that like just about everything we do here at TSAHC, it is a team effort, and although I may be the person who does come up here on a monthly basis and provides reports, I don't do it alone and I have a lot of support.

I've provided you all with a copy of what we use for our monthly loan servicing reports. This is a report that's generated by one of our databases and it provides sort of basic information about our portfolio, pending applications and loan balances.

Monthly, our team does get together and we discuss all of these loans, both the active ones and some non-active. We look at our capital resources, and we also monitor how frequently we are rotating funding through the program, so many of our program-related investments expect us to use that money time and again, and so we generate a monthly report on that to determine how frequently are we turning that money over and doing new loans and doing new activities. And this meeting not only keeps me on my toes, but it also helps all of us communicate and manage the program more efficiently and keep on top of changes and new projects.

I think that's all I'm going to say for my report, but I will ask that if

you have any questions, feel free.

MR. JONES: That's all you're saying, there's more you could say.

MR. DANENFELZER: Yes, but I'm not going to.

MR. JONES: Do you have any specific questions you want to ask him about what he didn't say?

MR. EVENWEL: No.

MR. JONES: It will suffice that you told us what we need this time, but we'll see you again. Right?

MR. ROMERO: David, I have a questions for you. On all the different projects where you have Wells earmarked on there, can you tell me what you've revolved that million dollar line?

MR. JONES: Where are you?

MR. ROMERO: If you look on the report where it says Funding Source, it says Wells Fargo/TSAHC.

MR. JONES: Right.

MR. ROMERO: One of the things that David mentioned right now was the ability to revolve the lines of credit that are available to them for different projects, and one of the things that we did when you all took on the Wells Fargo equity investment, the whole purpose of that million dollars was to fund programs, get the money back, fund other programs. And that's really what I'm trying to get at is how much money have you actually been able to generate using that line.

MR. DANENFELZER: Unfortunately, I didn't bring my revolving

report with me, so I don't have the specific numbers. And the reason we kind of list the funding sources in this way, and sometimes these funding sources change because what we've found as we've dealt with things, especially over the last year and formalized a lot of these procedures -- I've got that number now.

(General laughter.)

MR. ROMERO: That's staff again.

MR. DANENFELZER: I know. See, I told you.

MR. JONES: So the revolving report number is?

MR. DANENFELZER: The number for Wells Fargo is $2.4 million that we've generated in activity with that million dollars that we received.

But the reason it changes and it flows is because we don't set up an individual bank account for each source of money we have, it sits in a large pool, and also, because of our ability to collateralize loans once they've been funded through the Federal Home Loan Bank -- which essentially allows us to borrow additional capital from Federal Home Loan Bank to do new loans -- what we often do is we'll start up with a loan, like at the very top here we looked at Sophia Estates, is the first one in the ICAP program. It's likely that we could have taken that money, used the Wells Fargo and some additional TSAHC monies to fund that initial $450,000, and then collateralize that with the Federal Home Loan Bank and take about 70 percent of that amount out of that account, and therefore, re-utilize those Wells and TSAHC monies in other loans rather than having to say we only use this money or that money.

And that is why I do need Betsy and Nick because they do

manage a very complex system of accounts for me, and he's the one that produces that revolving number so he knows it, and that's why he was able to come tell my over my shoulder what that figure was.

But like everything we do, we try to make it as simple on the surface, simple for our customers and for you all to understand and see what we're doing and the impacts we have, but it is a complex system that we need a lot of professional help and we need a lot of staff expertise in order to manage and maintain it.

MR. ROMERO: Paige has put together a map prior that kind of broke out where all our single family lending has occurred throughout the state. Can you do that with what you've done?

MR. DANENFELZER: Yes. Our website actually does contain a map with all of the loans that we've made in the history of the program, and it's sort of a simple Google map where if you click on one of the little icons it will tell you the borrower, the amount we've lent and for what purpose they're using the money for. And that's something we continue to expand on, every time we do a new loan, we update that and we try to keep that as up-to-date as possible. It's very helpful for legislative purposes, especially, if we have requests about where we're doing lending and how much we're putting in different districts.

MR. ROMERO: One last thing. Are there any grants right now or other PRIs or equity investments that we're looking at?

MR. DANENFELZER: We don't have any active applications for the lending programs. You know, we have been actually working with Corcoran on our funding plans, and there's a couple of ideas that we've

discussed with them and we're working on trying to make sure that we fulfill those funding plans and get those kind of solidified before we start going out with asks, but we do have some plans to try to increase. We've set some pretty impressive goals to increase the amount of capital we have for new loans over the next five years, and I'm hopeful and really do anticipate we'll meet those goals and be able to, if not double the program in the next five years, maybe even triple it.

MR. JONES: Thank you. Thank you Danenfelzer staff.

At this time, continuing the staff reports, we have Janie and Charlie with Government Relations.

MS. TAYLOR: Janie Taylor, manager of Development and Strategic Communications. And as all of you know, I've been managing Government Relations and Legislative Affairs for the corporation since I started here almost six years ago, and this year we decided that we would find someone to dedicate to Government Relations and Legislative Affairs, and so we went through the process of posting the job and interviewing many, many candidates, and I and Liz and David definitely believe we selected the best of all the candidates

MR. JONES: We'll see.

(General laughter.)

MS. TAYLOR: So I'm actually going to introduce Charlie Leal. I'll let him tell you a little bit about himself, but he's the new Government Relations specialist. And he's going to be doing the report, he and I have discussed and talked about what we're going to present to you today. We don't

have a handout but we certainly have things to talk about. And I think moving forward, when we're on the schedule again to do the report, Charlie will be doing it.

MR. JONES: I want to say to Mr. Leal, just the fact that you're sitting at this table, because David and his staff have always been very good at selecting staff, and we step back when it comes time to deal with staff because he's always done a good job, hence, when we lost a very valuable person, they found Liz, who is just as valuable, so we kind of do hands-off. So just the fact that you're here means you're probably really good.

MR. LEAL: Well, thank you. I'm honored to be here.

MS. TAYLOR: So I'll turn it over to Charlie.

MR. LEAL: Well, as Janie said, Charlie Leal, Government Relations specialist. And I have spent about seven years legislative experience over at the Capitol with several members, and as Janie said, I shot my application over here just because of the outstanding leadership that you have provided and the amazing work that the staff has done over the years has made TSAHC, in the eyes of many at the Capitol, an outstanding entity that has been set up through the legislative process.

I'll get into the report if there's no questions at the beginning. Over the next few months, Government Relations staff will be conducting an extensive review of the entire TSAHC statute and housing issues overall in preparation for the 83rd Legislative Session. Currently, Government Relations staff have been discussing and identifying possible statutory changes that may be required regarding the Professional Educators and the Homes for Texas

Heroes programs.

Throughout the interim, we have been participating in legislative and non-legislative work groups. We have maintained active participation in TDHCA's rural housing and disability advisory work groups, as directed by the strategic plan goal 1, strategies A and C. Most recently, staff attended the Housing Coordination and Community Housing Development Organization work groups of the Senate Committee on Intergovernmental Relations. As of July 2012, Government Relations staff has had three meetings with legislators. As the legislative session draws near, we anticipate the total number of meetings for the year will far exceed the goal outlined in the strategic plan, specifically goal 4, strategy C.

We are continuing to incorporate legislators in all appropriate media releases and check presentations. Since January 2012, we have issued four media releases and plan to make about six check presentations with the Texas Foundations Fund from December through January, and we are currently on track to exceed the set goal in the strategic plan, again, specifically goal 4, strategy C.

That concludes my report, and if there are any questions, I'll be happy to take them.

MR. JONES: You said in anticipation of the 83rd Legislature, changes in legislation. Is that initiated in the legislature or is something we initiate here and recommend to the legislature? How would this change thing come about?

MR. LEAL: All changes are initiated by the legislature, we are a

state entity.

MR. JONES: And in the legislature, what committee, what individual? Is that a normal thing that they do, or does somebody have a direct interest in us?

MR. LEAL: It just depends, it varies.

MS. TAYLOR: Well, in this particular case that Charlie is mentioning, there are statutory changes that we need to make that need to be made.

MR. JONES: That we know need to be made.

MS. TAYLOR: We do not need to make, needs to be made in order for the programs to continue, and so we're going to, hopefully, be working with the legislature to make those changes to the programs this coming legislative session.

MR. ROMERO: So normally, Janie or Charlie, we would work with those legislators that have an affiliation with housing, could be Urban Affairs, could be IGR, and then we would speak with them to hopefully see if they would carry any kind of changes to our statutory programs.

MR. JONES: Oh, I understand. I know they need to be made, Janie just explained. My question is are there other individuals on the other side that would try to make statutory changes that may not be as helpful to TSAHC.

MR. LEAL: With every session there's always things we don't anticipate.

MR. JONES: So once we begin to do that statutory thing, all of

that comes into play which is why you're here.

MR. LEAL: Yes, sir.

MR. ROMERO: So one of the questions I had regarding that, and I had mentioned this at the last board meeting, is adding veterans to our program. And I know that, David, you had mentioned you would look into the Veterans Land Board to see if there was competing programs or programs that were equal to what we already have.

MR. LONG: It wasn't so much, Mr. Romero, that they had competing programs as that they had received funding and it was more of a name recognition, not a competing program but a name recognition.

MR. ROMERO: So would the Veterans Land Board have a program that would be equal to what we offer?

MR. LONG: No.

MR. ROMERO: Okay. That was my only concern.

MS. TAYLOR: And veterans obviously can participate in our program. If they do those professions or if their income is under, but certainly, the branding of the Veterans Land Board, and that is their mission, and unlike us, they can only serve that.

MR. JONES: And that's one of the things that I mentioned before. I also serve on the Texas Coastal Coordination Council, and Jerry Patterson, who chairs that council, is over the Land Board, and I asked a question how come it doesn't look like we serve a lot of veterans because they have a tendency to go to the Land Board. I mean, that's there for them, it's marketed, they know it, so there's no need for them to really come over here

because I think they offer some very solid programs. But it would be good to look and make a comparative of what the Land Board might do for veterans.

Do you think there's any benefit in that, David?

MR. LONG: Again, I would offer that we certainly can look at it and just make sure that we're doing similar programs in terms of, as Janie said, their borrower base is different than our borrower base in the sense that they serve specifically veterans. Their population could participate in our programs if they meet the eligibility requirements other than being a veteran, in that 80 and below are and/or the professional criteria. A veteran could be a teacher, they could qualify under our program if they felt that that was a viable program in difference to the other programs they have available to them. It would be a lender-borrower discussion to decide which program they want to participate in.

MR. JONES: We went through this with what we do and what TDHCA does, and now we're talking about what we do and what the Texas Veterans Land Board does, so probably better to know in advance rather than later.

MR. LONG: We can certainly do the comparison for you, Mr. Chairman, that's not a problem at all. But we don't believe that we compete. There's a demand out there that's beyond belief in the State of Texas for affordable housing.

MR. JONES: Oh, I agree.

MS. TAYLOR: I think the only thing I would add to that is that they have a choice, and there's nothing right now that prevents them from participating in our program, they can certainly participate in our program,

there's nothing that prevents that and they have a choice, and I think a choice is good.

MR. JONES: I'm sure we have veterans that are police officers and others that use our program, they just don't identify as vets, they identify as whatever their job is.

MS. TAYLOR: Sure. But if they're a veteran, they can also use the Veterans Land Board. They have a choice and I think a choice is good.

MR. ROMERO: And Paige made a real strong comment earlier, I think looking to see what they offer so that we can ensure that they're getting the proper type of housing, not necessarily just a house but the proper type of housing, and if there's a program out there that's better than what we offer, we should definitely be collaborating with the Land Board so that we can refer that person to the Land Board, and vice versa. So there ought to be some communications with the other agencies.

MS. TAYLOR: And we do do that. And Paige is very good, and we've all been trained on when somebody calls our office, a potential homebuyer, if this is not the best program for them, we always tell them there are other choices, there might be some in your local area, there might be a city or a county that might be offering a better program, the Veterans Land Board, certainly, if they're a veteran, and also TDHCA. So if this is not the best product for them, we do always do that, and we believe that some of those partners do the same, vice versa.

MR. ROMERO: So most organizations, nonprofit associations or statewide associations -- we're not either one of those, we're a nonprofit but

we're not really a state agency -- put together a legislative agenda every year, or the year for the legislature when they're in service. We're not going to do that, but can you give us a list of priorities for the legislative session coming up? Because what I'd like to be able to know firsthand is, number one, we were given twelve years for one reason and one reason only, yes, we do good programs, but it was because of our ability to raise money, and I want to be able to make sure that when we go in there we can justify those twelve years by saying we continue to raise money, and from the time we got our twelve-year designation at the last session to this opening session we've raised so much, and this is our anticipated plan through the end of the year, and those kind of things.

MS. TAYLOR: Right. Are you asking for that?

MR. ROMERO: I would like to see that. It's not a legislative agenda but it would be our priorities as a corporation with the legislature.

MR. JONES: What is he asking for?

MR. ROMERO: The priorities of what this corporation is going to be doing during this legislative session. One of them, in my mind, has to be we have to show that we've done additional fundraising and that's one of the reasons that we received the twelve-year extension.

MS. TAYLOR: Right. Well, typically, the only slight difference, I think, in this coming legislative session is that we obviously have some legislation that we hope gets filed by a member that is interested in the programs continuing, the homeownership programs continuing. And then in addition to, what we've always done is provided information on who we are as an organization, and so Charlie will be setting up meetings so we start those right

now before session starts and everyone is really busy, and we start meeting with some of those key legislators that we need to meet with, and just communicating about everything that we do, including any fundraising potentials we have, what we've achieved, what we've done in their district, so on and so forth. So that's always part of the plan and will continue to be because we're there to provide information and for them to know who we are.

MR. JONES: But if I'm correct -- and I'm referring to David -- we do have ongoing staff members who are working on increasing the amount of contributions, donations at Meadows and other things. Right? I mean, we're up.

MS. TAYLOR: Right. And David, if you don't mind. And I am in charge of that too, and we do have a development plan that we are working on. We have another meeting this afternoon with Corcoran, we're very close to having a development plan on what our goals are going to be the remaining of this year and what we're going to look at for next year. After we have it in a good place, which I think will be within a week, it's going to go to our executive staff, Liz and David, to review, and then I'm sure Katie and I will be on the agenda for development in the near coming months, and so I hope at that point to present it to you.

MR. JONES: And that's what I think. Are we increasing it as we speak, do we have applications out there?

MS. TAYLOR: Sure. We always have applications out there.

MR. JONES: Do we have funding in the pipeline? And what's your timetable for when you need to give the report he's asking for, if it's not the

next meeting?

MS. TAYLOR: I'm not sure if you're asking for the development plan or if you're asking for the legislative plan.

MR. JONES: David.

MR. LONG: Let me respond. I think what Mr. Romero is asking for is to ensure that we have somewhat of a priorities list when we go into session, and in the session that will include things such as the legislation Janie has mentioned, it will also include identifying those key areas that we know we're supposed to be working on, how we've progressed in those areas.

One of those key areas is fundraising, and yes, we will continue to do that, we always are doing that. Janie and staff always are working towards fundraising, that's a constant goal of ours as a 501(c)(3), and the Corcoran relationship has been established so that we can further develop that plan so that we have kind of a structured process we're going through to do that.

But if I will, Mr. Romero, just to respond to your original question, I think what you're asking for is just a priorities list, and I will tell you that when I met with Janie and Charlie when he first came on, my comment was that they are going to be working on, they always do, but they're going to be working on, once Charlie came on -- we waited until he got here so we could start to work on that priority for our legislative agenda, if you will.

MR. JONES: But I also heard him asking for a preliminary report so that we can see where you are.

MR. ROMERO: Just so we know what you guys think the plan for the legislature is going to be.

MR. LONG: And again, you would be made aware of what we're looking at, what our ideas are. We certainly want your input.

MR. JONES: What we've done to date.

MR. LONG: Well, not only that, but as we move forward, if you guys are aware of here's something. I mean, obviously, you're a good set of eyes and ears for us to know something that we may not be aware of that you're hearing that we need to be considering or looking at.

MR. ROMERO: And let me preface that by saying it's not that I doubt what you all are going to do, it's because we have gone out there in the past and we've been putting out fires and dealing with emergency situations during every legislative session that I've been aware of. This will be the first time we can get out there and actually put a positive spin on what we're doing, what we've accomplished and really kind of get ahead of the eight-ball instead of being behind it.

MR. LONG: And we'll certainly move forward with that activity to ensure that you have that information.

MR. JONES: Are we ahead in our fundraising from where we were a year ago, are we advancing, have we increased it?

MS. TAYLOR: It's very similar to what it was last year, and I don't have the numbers in front of me, but it's similar. Things are changing a little bit.

MR. JONES: Which is why we have Corcoran.

MS. TAYLOR: Well, not only that, just in general what funders are interested in and what they're not interested in anymore. You know, we've

had a lot of success fundraising for foreclosure prevention. A lot of funders are moving away from that, they're not as interested in funding that as they were in the past, so it's a little bit of shifting of what else can we connect them to that TSAHC is doing so that we can continue to have them as a partner, as a funding partner. So we have to look at they might not be interested in this program anymore and funding that program anymore, but can we shift them into funding the other programs that we have.

And so that's kind of been the challenge, I think, for the past year is because something that they've all been about funding is not something they're interested in funding any longer. But it's been good for us because it allows us to open the funders into what else TSAHC does and some of them only knew this, and so now they're knowing about everything else.

MR. JONES: Which is why I agree with Jerry that we've got to have a good plan to present to them that now that we've got the twelve-year extension, here's our plan, here's our goal.

MR. ROMERO: Not to belabor the point, Janie, you've been aware of this, it happens all the time, there are detractors in the legislature to TSAHC, and if they want to, they can go through our records, they're going to realize that we committed X number of funds to hire a consultant to help us with our fund development, and where are we. You know, you guys spent this much money to hire someone to increase your fundraising capabilities, and yet you've only raised this much since you all received you Sunset extension.

MR. JONES: All those things take time, though.

MS. TAYLOR: All those things take time, and fundraising is

definitely one of them. And I think the only thing I will say to all of that is I think the reason that we got twelve years is because have always gone in there into the legislative offices and talked about what we do in all areas, not just fundraising, but in all areas. And the Foundations Fund, in direct lending, in multifamily, in ACT, land banking and homeownership, we talk about all of it and why it's a value, why all of it is a value and not focus on one thing because you can't do that because that one thing may not always be what's going well. And so we focus on all of it and so we will continue to do that.

And Charlie talked about what our reputation is at the Capitol, and I think we've all here worked really hard to develop that and to always know that when we walk in there we're presenting what the facts are and what we're doing, and we will continue to do that.

MR. JONES: From all my meetings, one of the big aspects, even though we talked about being able to raise funds and 501(c)(3), et cetera, was the fact that we do what we do and we use no general revenue funds to do it. To me, that was more than anything else that we said, and that we have oversight by the legislature, et cetera, but we use no general revenue funds, and that sells a whole lot of people in the legislature.

MS. TAYLOR: Right.

MR. JONES: Any other questions for Charlie?

MR. ROMERO: Welcome.

MR. LEAL: Thank you, appreciate it.

MR. JONES: Can't wait till we go formal and see what kind of ties you like. We'll be casual a long time, Charlie. Thank you, Charlie.

MR. LEAL: Thank you.

MS. TAYLOR: Thank you.

MR. JONES: And that concludes, Mr. Chairman, the staff presentations?

MR. LONG: That concludes the staff presentations, Mr. Chairman, and we'll go into the actual agenda items at this time.

MR. JONES: Okay. Tab 1: Presentation, discussion and possible approval of minutes of the board meeting held on June 14.

MR. ROMERO: Move to approve as presented.

MR. EVENWEL: Second.

MR. JONES: Moved and seconded to approve as presented. Any discussion? Any public comment?

(No response.)

MR. JONES: If not, all in favor signify by saying aye.

(A chorus of ayes.)

MR. JONES: No opposition. It carries.

Item 2: Presentation, discussion and possible approval of a resolution regarding the application for and conversion of reservation for allocation of private activity bonds to mortgage credit certificates, and containing other matters incident and related thereto.

MS. OMOHUNDRO: Paige Omohundro, Homeownership Finance manager. I promise to keep it short and sweet.

As we pointed out earlier, it's always important that we use our annual allocation of bonding authority or any mortgage revenue bonds that we

have been awarded through the Texas Bond Review Board, and the resolution before you is requesting that you give us the permission to use our remaining carryforward which totals over $111 million -- the exact figure is on page 2 of the resolution itself -- as a conversion into mortgage credit certificates. This allows us to use all the carryforward that we currently have at our disposal and then we'll help us further our homeownership goals, and again, we'll be able to use anyone that is a first-time homebuyer accessing this mortgage credit certificate can use our down payment assistance program as well.

MR. JONES: Questions?

(No response.)

MR. JONES: We'll open the floor for a motion

mR. ROMERO: I will move to approve the resolution as presented.

MR. EVENWEL: Second.

MR. JONES: Moved and seconded. Any public comment on item 2?

(No response.)

MR. JONES: Hearing one, all in favor?

(A chorus of ayes.)

Ms. OMOHUNDRO: Thanks.

MR. LONG: Thanks, Paige.

MR. JONES: Item 3: Presentation and discussion regarding the status of the Gateway Northwest Apartments project and Dalcor Affordable Housing I, Texas Affordable Housing Pool project, that was previously approved

under the Multifamily Private Activity Bond Program.

MR. DANENFELZER: David Danenfelzer, manager of Development Finance.

This agenda item is being presented really as just an update to the board, and I don't have any formal handouts or anything for you, but I'll walk through each of the projects in order and give you a verbal update.

MR. JONES: Well, we got a ton of stuff in Tab 3.

MR. DANENFELZER: I understand that.

The Gateway Northwest Apartments project, located in Georgetown, Texas, has been advancing nicely since the board induced the bonds in early March. The corporation completed its public hearing for the project and received no public comment. And we've been working diligently with the developer, our bond counsel, bondholders and tax credit syndicators to finalize the legal documentation. At this point we are anticipating closing on the project in late September or early October.

One hurdle that continues to need to be surpassed is an approval of financial assistance from the U.S. Department of Housing and Urban Development. As noted in our original presentation to the board, this project in particular is going to be using bond funds on a short-term basis, so our bonds are going to be issued for approximately a three to four year period, and the entire long-term lending or financial assistance for this project will come out of housing tax credit equity as well as an FHA 221(d)(4) mortgage which is provided through HUD, or Housing and Urban Development.

But this does raise some complications. A lot of these things

we've been working out, and one of the complications that we've run into recently on our calls this week was that the HUD office only has one underwriter in San Antonio, and that's the region we have to go through. So we are not completely concerned because there's not an enormous workload in the San Antonio office at this time, but we are trying to get all the due diligence in, or at least I should say the developer is trying to get all the due diligence in at this point in order to stay on track. If for any reason there is a delay, we have contingencies and can extend the deadline for closing, and it would have no impact on our role in this deal at this point.

So we're not concerned about the project, and in fact, I'm pretty comfortable in saying that it will actually stay on track, given the parties involved and the activities and the status that we are at this point in the process.

And unless there's any questions about the Gateway project, I'll jump right directly into the Dalcor project. The Dalcor project, which was induced by the board in March, as well, of this year, is currently on track to close in early October. After many months of working through minor deal points with the development team, along with our professional service providers, our bond counsel, Bob Dransfield, of Fulbright & Jaworski, and our financial advisor, Robin Miller at First Southwest, we've drafted preliminary bond augmentation which staff, as well as all the other parties involved, are currently reviewing and editing.

While I wish this was a simple process, the fact is there are many parties involved in the review of documentation, and one thing that has changed since the project was initially announced to you all and was initially voted on is

that instead of the properties being what's called cross-collateralized, or essentially owned by one entity and the loan being funneled through that one entity to all individual properties, the tax credit syndicator has required and requested that we separate each of the properties into six separate transactions, and therefore, we'll essentially do six separate bond closings on each of the properties.

While this doesn't really create an enormous technical hurdle, it does create an additional workload for our professional team, particularly our bond counsel, and so we are negotiating with the development team at this time for a slight increase in our rates for the fees that we have charged because the way we calculate fees on our multifamily bond program is based on the bond amount, and it is a sliding scale, so the first $10 million of the bonds cost the most, and then after that it slides down and decreases. Because just like with efficiencies of scale, if you're doing one $75 million deal is really not all that much more difficult than one $25 million deal, but because we've separated this and now we're doing six smaller deals -- they range from around $12 million up to $20 million -- we are actually doing quite a bit more work, or at least our professionals are having to do quite a bit more work. So we are negotiating those terms, and we don't see that that will be a problem for the development team as that was something they pushed for.

MR. JONES: So at the current rate, the six smaller deals add up to less than the one larger deal?

MR. DANENFELZER: No. Actually, they add up to full $75 million.

MR. JONES: The same fee would be accrued whether it's six or one?

MR. DANENFELZER: Well, actually, because there are six separate deals, the fee will be calculated on each individual deal which will increase the total cost.

MR. JONES: And as it should be, but they have to agree to that, you're saying.

MR. DANENFELZER: Right. They have to make sure that they still feel comfortable with the numbers we've projected. And to the credit of our professionals, they have actually, because they understand it still will be very similar documentation, there's legal issues, and real estate documents which will be different, they've actually cut their costs a little bit compared to if they had just simply been brought six separate deals.

MR. JONES: The fact is that that side of the table, whether it's the lender or whoever, says it's better to do it in six smaller than one larger.

MR. DANENFELZER: Right.

MR. JONES: And because of that, the workload is six times one.

MR. DANENFELZER: Exactly.

MR. JONES: Would you have to increase our fees, or would you just do the same fees?

MR. DANENFELZER: We will likely increase our fee -- I mean, we are going to increase our fee because it is more work to do six separate sets of documents.

MR. JONES: So it's six deals.

MR. DANENFELZER: Yes, instead of just one larger deal.

MR. JONES: And the paperwork changes that much from deal to deal?

MR. DANENFELZER: You know, the boilerplate doesn't change that much, but you have to ensure that now, instead of one set of documents being correct from page 1 to, in this case, 1,000, it's going to be every set of documents has to be correct and reviewed by attorneys, and instead of one opinion letter, we have to have six opinion letters now, and it does increase the amount of work. And so we're fighting for our professional service providers to make sure that they get paid what's a reasonable return for what they're doing, and that's something that the developer so far has been okay with, so we're not concerned about it. But it was a particular fact that changed over the initial proposal, and it's different than the way we've done these pool transactions in the past, so I wanted to make sure you all understood that.

MR. JONES: Any other questions?

(No response.)

MR. JONES: Thank you.

MR. DANENFELZER: Welcome.

MR. JONES: Okay. Final item 4: Presentation, discussion and possible approval of the Texas Foundations guidelines and application requirements. Ms. Liz Bayless.

MS. BAYLESS: Liz Bayless, executive vice president.

Tab 4 is an action item related to the Texas Foundations Fund.

At the June board meeting you approved our posting the 2012 guidelines and application requirements for public comment. During the public comment period we received a number of comments complimenting us on the guidelines, which was nice, as well as a couple of suggestions for changes, mostly to clarify certain sections.

Behind Tab 4 in your book are both a clean and a redline copy showing the changes that we proposed in response to the public comment we received. The only change that is truly substantive is removing the requirement that rental properties have to be multifamily. We decided that we now will allow single family rental properties as well.

So we're now asking for your final approval of the guidelines, and if you do approve them, we'll publish them right away and begin accepting applications for the 2012 round of grant-making.

MR. JONES: And you added in the tab the changes that have been made?

MS. BAYLESS: Yes. There's a clean copy and then there's a redline copy showing the differences.

MR. JONES: Any questions for Ms. Bayless?

MR. ROMERO: Did we discuss why wanted this or not, or was this comments in regard to single family construction?

MS. BAYLESS: I'm sorry, Jerry. Could you repeat that?

MR. ROMERO: Did we discuss that, or was that someone's suggestion on the single family piece?

MS. BAYLESS: It was an outside suggestion which we then

discussed among ourselves and with our advisory council.

MR. JONES: And we didn't discuss that here, it came from outside?

MS. BAYLESS: Right.

MR. JONES: Can you kind of give us the gist of how that discussion went?

MS. BAYLESS: Sure. We did receive one public comment that -- well, we actually got into dialogue with a potential applicant who was interested in exploring more about what we're looking for when we make these grants, and through the course of that conversation we were made aware of the fact that the activities that we support with the Texas Foundations Fund can apply to single family rental housing as well as multifamily rental housing, and it just really hadn't occurred to us before that that was a possibility.

So once we became aware of that, we discussed it among ourselves and then with the members of our advisory council, and we said, well, sure, there's no reason to close the door to nonprofit organizations or governmental entities that are providing the types of services that we're trying to support through the Texas Foundations Fund, we don't want to shut the door if those services are being provided to rental housing that happens to be single family instead of just multifamily. It was a distinction we really sort of were making inadvertently. So we thought there's no reason to have that say multifamily only, so we took out the word multifamily.

MR. JONES: But in reality, when you have multifamily you have that community room and all and they offer those services. What basis do we

know that they offer these similar services to single family?

MS. BAYLESS: Well, actually, you're raising an interesting question, because I think that's probably the unspoken assumption that we were all making when we first said multifamily rental housing is that if you're going to be providing, say, supportive services to residents and it needs to be onsite, then it's going to have to be in some sort of apartment type building. But as I said, through discussions with entities who are out there in communities around Texas trying to provide these sorts of services, there are a lot of innovative and creative approaches being taken. Some of them are along the lines of attempting to build small communities of single family housing with supportive services provided within that community, so what we would still consider to be onsite.

And that's the sort of thing that we don't necessarily know whether we ever would end up making an award to an entity like that, but we decided that there was no reason to prohibit them from being a qualified applicant.

MR. ROMERO: I'm not sure if that answered my question, though. I think the redline that I'm looking at said that you've eliminated the construction of single family homes as an eligible project.

MS. BAYLESS: I'm sorry. I did misunderstand your question.

MR. ROMERO: So again, my question is was that something that was suggested from outside, and again, what was the basis for that?

MR. JONES: What page are you referring to, Jerry, please?

MR. ROMERO: It's on page 1 of 8, I believe.

MR. JONES: What paragraph?

MR. ROMERO: On the redline; it's at the very end, the redline copy.

MR. JONES: Oh, the redline copy -- which to me is a light gray line in the book.

MR. ROMERO: So it's at the very bottom.

MR. JONES: I see it on footnote 1.

MR. ROMERO: Right.

MS. BAYLESS: Actually, we didn't eliminate any wording, we added that in bold because some applicants were overlooking the fact that it's only rehabilitation or critical repair of single family homes that are eligible projects. And so we just wanted to draw it to their attention boldly that constructing new single family homes is not an eligible activity.

MR. JONES: That's another program.

MR. LONG: It's a clarification rather than an elimination of an eligible activity.

MR. ROMERO: Okay. So if you had a home that had significant rehabilitation, as long it wasn't ground up new construction, they would still be eligible for it.

MS. BAYLESS: Yes.

MR. ROMERO: Okay.

MR. JONES: Okay. But the only things is that if they do come in and you don't know if you're funding single family, because most people in multifamily housing don't take advantage of the services offered either, so

there's no guarantee that they take advantage of the service, but you have to come up with some way that they say they offer services.

MS. BAYLESS: Well, you know, it's interesting, as you are well aware, when we get these applications we go through a pretty rigorous arm's-length evaluation and scoring process, and a lot of that score is based on track record and proven results and outcomes that the organization can demonstrate. So we generally have been extremely pleased with the quality of the work that is done by the entities that end up rising to the top and receiving our awards.

MR. JONES: It's going to be interesting to see how you do it.

MS. BAYLESS: Yes.

MR. JONES: Is there any other discussion?

MR. ROMERO: No.

MR. JONES: Is there a motion?

MR. EVENWEL: I move we approve.

MR. JONES: Moved to approve.

MR. ROMERO: Second.

MR. JONES: And a second. Any public comment on item 4?

(No response.)

MR. JONES: Hearing none, all in favor?

(A chorus of ayes.)

MR. JONES: Any opposition?

(No response.)

MR. JONES: Okay, it passes. And thank you very much, Ms.

Bayless.

` Okay, David.

MR. LONG: Mr. Chairman, with that, we do not have a closed meeting, any issues related to the corporation that would require us to go to closed session. So the only thing that would be left, again, is just to consider next month's meeting. August 9 is the second Thursday of the month, that's relatively early in the month, so we're more than happy to make that time frame, but the 16th is the third Thursday of the month which gives us a little bit more time to put things together, depending on how you as a board would like us to move forward. Or we could, again, as we always do, let you know that those are the two dates we're looking at, if you're available, and then let you know.

MR. JONES: The 16th tentative.

MR. LONG: The 16th tentative.

MR. JONES: And then because normally you'll poll the other members.

MR. LONG: We will definitely do that, and we'll also coordinate to make sure in terms of what we have on the agenda.

And with that, Mr. Chairman, that would be all the activities we have for today.

MR. JONES: Okay. Thank you very much. Again, the staff still looks a little dressed to me, but most of you know how to be casual. Right? Mr. Visitor back there, he's got his little Panama hat on.

All right. No other business matters, meeting adjourned.

(Whereupon, at 11:32 a.m., the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: TSAHC Board of Trustees

LOCATION: Austin, Texas

DATE: July 19, 2012

I do hereby certify that the foregoing pages, numbers 1 through 62, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas State Affordable Housing Corporation.

07/24/2012
(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731