TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
December 13, 2012
10:00 a.m.

BOARD MEMBERS:

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

I N D E X

P R O C E E D I N G S

MR. JONES: The December meeting of the Texas State Affordable Housing Corporation is called into session.

Jo Van Hovel, Vice Chair.

(Not present.)

MR. JONES: William Dietz, Member?

MR. DIETZ: Here.

MR. JONES: Gerry Evenwel, Member?

MR. EVENWEL: Present.

MR. JONES: Jerry Romero, Member?

MR. ROMERO: Here.

MR. JONES: And I'm here, I think. Okay. We have a quorum.

Is there any public comment? Anybody scheduled for public comment?

MR. LONG: No, sir.

MR. JONES: Okay. At this time, we'll -- Mr. David Long with his president's report.

MR. LONG: Thank you, Mr. Chairman and members. As always, I'll reference the Tabs A through D which are your standing reports that we provide from the different programs, as well as financial updates. In addition to that, I'll go over some announcements and some other things we've been purchasing, spending on.

First would be to introduce Sarah Ellinor who is our newest employee. Sarah will be working with us as our Homeownership Programs Coordinator and she's going to be working directly with Paige Omohundro so we're excited to have Sarah on board. She comes to us from --

Sarah, stand up and tell the Board who you are.

MS. ELLINOR: So I am originally from Iowa. I moved here with my husband. He's originally from Austin. I worked for the American Cancer Society as well as Habitat for Humanity. I was a housing counselor in Iowa. So I do have a housing background. And we've been here a for a little over a year now here in Austin.

MR. LONG: And for those of you that may not remember, her husband Ben was our intern here for quite a while working with us on some of the projects with Janie specifically, Janie and Katie, so we're really excited to have Sarah on board.

MR. JONES: What did Ben have to say about her?

(Laughter.)

MR. LONG: We haven't talked yet. We'll have a basketball pickup game here in a little bit and we'll figure that out with him.

Some other things -- conferences, meetings and some events we've been attending, David and I -- David Danenfelzer and I had a call with the CDFI Fund out of Washington, DC, in the last month regarding the TCC, Texas Community Capital's, application for CDFI certification. Just so you know on that, we've been very, very disappointed in the time frame that it's taken to get that application discussed.

In fact, we were told essentially we'll be resubmitting the application because of some things that we need to re-engage them with and some updates on some things that are going on with TCC. So as a result of that, we'll be providing the Board an update after we get that new application submitted.

Other things we've been attending -- North Texas Housing Coalition, which is a partner with us on our foreclosure activities -- I also serve on their board and attended their board meeting. Texas Association of Realtors -- Charlie Leal and I had an opportunity to meet with their government relations specialist.

As you know, we feel like the lenders and the realtors are a huge part of our single family programs in the sense that they help us market those programs. And we're actually very excited to know that we're a part of -- not only Paige participates in the training programs that they put on under United Texas, we have an opportunity to keep our information updated on their website. So we're real excited about that partnership.

Staff had the opportunity to meet with Mr. Chris Hopkins who is our representative from the Federal Home Loan Bank. He came into town, was making the rounds and asked if he could come by and just touch base with us on things that they're doing and how we might we able to continue to partner with them and work with them.

Charlie and I have also continued to have meetings with different associated members of associations that either work with us or have access to our programs. Most recently was the Association of Texas Professional Educators, ATPE, and they obviously access our Single Family Professional Educator Home Loan Program.

NFMC Round 7, I have to put out kudos to Katie and Laura and Janie and Paige. Round 7, if you remember under the National Foreclosure Mitigation Counsel -- we've been doing this for quite some time now. Round 7 was debated whether or not we were actually going to apply or not and we do this in partnership with the

Department of Housing and Community Affairs.

It was decided that we would apply. The application needed to be kind of coordinated between us and TDHCA. We've had several meetings that were called. As I mentioned, the four people, Janie, Katie, Paige and Laura, have been working extremely hard to get that application, our piece of it, done.

That has been since compiled and the application looks like it'll be submitted for around $450,000. That will be in support of ten partner counseling organizations and all of those ten have been previous partners with us on the other rounds that we've participated on.

And the application is actually due December 19. So we're kind of ahead of -- making sure we get all the details and the applications coordinated and done.

MR. JONES: Why were you considering not doing it?

MR. LONG: Well, in the past we've always done it as a partnership with TDHCA and our own and there was some consideration whether or not there were staff resources to coordinate and get it done with all that's going on. And the department was a little hesitant to step into the window. We've had staff meetings about it and everybody agreed it was probably best to step in at Round 7 one more time.

TDHCA, obviously, we continue to have meetings with them regarding TSHEP, the Texas Statewide Home Education Program, which is a program we began taking over full administration of this year. In addition, we meet with them, as I mentioned earlier, on the National Foreclosure Mitigation Council.

And David and Jo continue to coordinate with them on the Neighborhood Stabilization Program, NSP.

And, finally, I would -- in terms of things going on, David and Jo hosted, in conjunction with Danny Gardner, which is with the National Community Stabilization Trust, a meeting with the GI Forum, which is a service provider for veterans in San Antonio and they're interested in partnering with us in our ACT Vet program which allows us to have donated homes made available to veterans across the state of Texas.

We're continuing to work with them. David and Jo have done a really good job of putting together that program and NCST is continuing to coordinate it with us and we hope to have more partners engaged in that. But we'll keep you up to date as to how that program develops.

MR. JONES: Mr. Long?

MR. LONG: Yes.

MR. JONES: I understand that when you were talking about doing the piece with the veterans, you were also talking about maybe talking to Jerry Patterson and the Veterans Land Board about how we could maybe be more effective but that was not necessary.

MR. LONG: Well, the program we have is where we get donated --

MR. JONES: Standalone.

MR. LONG: -- properties from -- in this case, most of the properties come from Bank of America. The coordination is certainly there. Actually, Jo did go over with Mr. Gardner -- when he was here, they met with the Texas Veterans Commission, an organization we had met with earlier, and obviously the Texas Veterans Land Board has resources for making mortgage loans as well.

So we'll continue that dialogue but I think the first and most important thing is to make sure we have the program correctly established internally, partners on board that we need to be working with and then looking for other resources.

MR. JONES: Understood.

MR. LONG: So we'll continue that. But we have started that dialogue with the Texas Veterans Commission as well.

A couple of other updates. The website redo -- all the contents on the website have been submitted and we're expected to go live sometime the end of January on that website or website update.

We had issued or released RFPs for professional services. We had done those for issuer council, bond council and for financial advisor services. We received three responses under the bond council and issuer council RFPs. The recommendations will be made to you later on in the board meeting from staff on that.

Under the FA, we only received one response, and in discussions with council, we felt that it was maybe better that instead of just taking one response that we reissue that for an extended period of time and in doing so, we'll hope to see if we get any additional responses.

Either way, we're trying to make sure that we are covering our bases in ensuring that we have ample responses or enough time to give responses. And we feel like even if we get no additional responses, once we've done it a second time extended out there that we'll have provided everybody an opportunity to respond for those that want to respond and we'll be making decisions on that one at the end of the month.

Obviously, I always like to note who's here in attendance with us. Mr. Mikeska with Mikeska Monahan & Peckham, our auditing firm, will be here making a presentation shortly. Robin Miller with First Southwest is here. Pam Stein, our general counsel, is here. Chris Spelbring is here and one of the issuer counsel firm that we're recommending, their representatives are here as well.

And the last thing I would note to you is that it's our expectation that with the holidays coming up we are going to be closed so you know Christmas falls on a Tuesday so we'll be closed Monday, Tuesday and Wednesday and we'll be closed New Year's Day. So if you're trying to get a hold of us and we're not here, try our cell phones.

And with that, Mr. Chairman, I'll conclude my remarks unless there's any questions.

MR. JONES: Any questions by the board on any part of the president's report, both oral and written?

(No response.)

MR. JONES: No. Thank you very much.

MR. LONG: Okay. Let's hand this ball off quick as we can. Tab 1: Presentation, discussion and possible approval of the minutes of the board meeting held on November 15, 2012. Any comments, recommended changes or motions?

MR. EVENWEL: I move we approve the minutes.

MR. ROMERO: Second.

MR. JONES: Moved and seconded. Any further discussion?

(No response.)

MR. JONES: Any public comment concerning our minutes?

(No response.)

MR. JONES: Hearing none, all in favor of approving, say aye.

(A chorus of ayes.)

MR. JONES: Any opposed?

(No response.)

MR. JONES: Any abstentions?

MR. DIETZ: Abstain.

MR. JONES: Okay. And one abstention. But the motion carries. Minutes are accepted.

Okay. Tab item 2: Presentation, discussion and possible approval of the annual independent financial audit for the fiscal year ending August 31, 2012. And I understand we're going to have a full-blown presentation this morning.

MR. LONG: Ms. Smith and Mr. Mikeska have presentations for the board.

MS. SMITH: Good morning. It's a pleasure to be here. My name's Melinda Smith. As David mentioned, we're finishing up our audit, or we've completed the audit, and are presenting it to the board today for hopefully your approval. Don Mikeska with Mikeska Monahan & Peckham is here to present the report to you.

MR. MIKESKA: Thank you. My name is Don Mikeska, audit partner with Mikeska Monahan & Peckham.

Mr. Chairman, Members of the board, thank you for allowing me the opportunity to come visit with you today. And I do want to say a big thank you to the staff, Melinda and Nick and Betsy -- the whole staff have been wonderful in terms of supplying us with the requested information, the documents that we need to look at.

Keep in mind that an audit like this is very disruptive to the day-to-day operations of the corporation so kudos to all the staff and I wanted to make that clear that they have contributed greatly to this product that you'll see today.

The financial statements are very long, very cumbersome but let me give you an overview of the type of audit procedures that are being employed in the type of audit report that is before you. First of all, we conducted our audit in accordance with governmental auditing standards. Secondly, we conducted the audit in accordance with requirements of OMB Circular A-133, better know as the single audit. And that's because you incurred federal expenditures in excess of a half million dollars. At that point in time you have to have a single audit.

This year, for the first time, the corporation was considered to be a low-risk auditee. The reason why that is -- we've never had any findings that questioned costs but this is only the third year under this federal program. Federal guidelines say you must be considered a high-risk auditee for the first two years of the program. So having no findings that question costs now in our third year, TSAHC qualifies as a low-risk auditee. Simply put, that only means we only have to audit 25 percent of your federal dollars as opposed to 50 percent of your federal dollars.

That doesn't really mean we do less auditing procedures. We're still required to discover any material fraud, defalcation or any abuse and report that to you. And we can report to you that there was none.

The audit report that is issued is what's called an unqualified opinion and that means the opinion is not qualified in any way; it's a clean opinion. So it's a clean opinion with respect to the financial statements. It's a clean opinion with respect to the SEFA, the Schedule of Expenditure of Federal Awards.

Let me just briefly go through the audit report with you. The one part that management gets an opportunity to talk to the financial statement reader is on page 1. It's management's discussion and analysis. Rather than forcing the reader to look at a bunch of tables and charts with numbers in them and trying to decipher what they're seeing, this is the opportunity to do the financial highlights. What did happen?

The corporation's total assets were $308.4 million. $288.8 million represents the assets held in the Single-Family Bond program. Under liabilities, liabilities total $271.6 million, of which $261 million relates to the Single-Family program. So it gives the highlights of exactly what makes up the corporation's balance sheet.

Interestingly, the corporation did report a half a million dollar this year on its statement of income and expenses. The primary contributing factor to that loss was the fact that the corporation has to mark their securities to fair market value under GASB 31. That's Government Accounting Standards Bulletin Number 31.

This has been an issue that we discuss virtually every year and in the current year the negative adjustment, meaning those mortgage-backed securities, declined in value by $1.4 million. So you can see, had we not had to write down those mortgage-backed securities by $1.4 million, you would have reported almost a million-dollar gain.

MR. JONES: Does that mean it actually lost that amount, or according to the way they interpret it, you'd have to say it lost that amount?

MR. MIKESKA: You'd have to say it's an unrealized loss. So it's recognized in the financial statement but it's not realized; it's paper. You have to adjust the securities at the end of every year to fair market value. Until those securities in fact cashed in, that's the only time that you would realize --

MR. JONES: Right. It's like most stuff. If you hold it, it moves up and down and says a paper loss.

MR. MIKESKA: Up and down, up and down. That's right.

MR. JONES: Okay. Got it.

MR. MIKESKA: So that is the major contributing factor. With the same now let's go to the balance sheet of the corporation so we can get a little snapshot of what assets the corporation owns. Page 10. The corporation's assets are divided between current assets and non-current assets. Current assets are defined as those assets that could be utilized within the next operating cycle, which in our case is one year.

Notice that the largest contributor is, again, the cash held by the bond trustee. That cash will not be used for anything except to pay off the bonds as they become due. The corporation's assets, that first line, cash and cash equivalents -- that's ready cash, $4 million. Go down about four more lines and investments at fair market value, $2 million. That's cash. That's money that you can get your hands on. The rest of the items will be converted to cash at some point in time but those are ready assets.

I'm going to ask you to flip over and look at both page 10 and 11 at the same time if you can because the balance sheet is just that. It's the assets and the liabilities. Assets minus liabilities equal your net worth. Look at the current assets of 37 million versus the current liabilities of 28 million. You're $9 million to the good on your current ratio. That's good.

Then on page 10 again under your non-current assets, the largest single item under there are the restricted investments. Those are the Ginnie Mae, Fannie Mae certificates held by the bond trustee, 249, almost $250 million worth of assets. Again, those will be used to pay off the bonds as they become due.

And then on page 11, these are our liabilities. You'll notice under the current liabilities there's a bond payable of $25 million. The reason why those bonds are current is those relate to the 2011 issue, I believe, and those bonds were never really reissued so they were called right after year end, if you recall, 21-plus million dollars. Well, since they were called, that's why they're current. They were liquidated within the one-year operating cycle.

So I guess I was really going to draw your attention to the bottom of the statement, net assets. You can see that net assets consist of three items: the net assets invested in your capital assets -- that's this building primarily; the restricted assets, and those assets are restricted primarily by the bond indentures -- okay, so that's 99 percent of the money that's right there is invested with the bond trustee. You won't get your hands on that. You won't need to except to pay off the bonds. But you enjoy unrestricted assets of $8 million.

So given all things, if you could pull the Single-Family program out of here which really is over there in a separate trust account which you have very little control over, you enjoy $8 million of assets.

Operating revenues on page 12 --

(Pause.)

MR. MIKESKA: Operating revenues, again, the interest and investment income at the top of the page, that's primarily the interest income that is generated by the Single-Family Bond program. The next item, net increase/decrease in fair value of investment -- the reason why that is a negative number, as I mentioned earlier we had about a $1.4 million decrease in the fair market value of the certificates. But you also enjoyed about a $600,000 gain on, say, what program was that in, Melinda?

MS. SMITH: I'm not sure.

Nick, do you remember exactly which program we sold the certificate?

MR. LAWRENCE: NIBP.

MR. MIKESKA: All right.

MS. SMITH: 2011, 2009.

MR. MIKESKA: Yeah, that was right. So you enjoyed about a $600,000 profit on that.

The Single-Family program, that's primarily, I believe, the MCC certificate program that's generating those nice gains and the TBA program, the To Be Announced program. I can't get over that name.

Then, look down, federal grants, revenue of $1.4 million. That's primarily the Neighborhood Stabilization Program and the National Foreclosure Mitigation Counseling program. Those are the revenues that were generated.

Under your operating expenses, obviously, the biggest operating expenses pay for interest on the bonded indebtedness, followed by salaries, professional fees, amortization of the various costs of issuance and purchase mortgage service rights.

And then if you look under grant expenditures, down toward the bottom, those are the property acquisitions, both under the Neighborhood Stabilization program and the ACT program. I'm going to use acronyms, guys. I'm sorry.

And then under the foreclosure costs you incur another $693,000 worth of costs there. So, in a nutshell, like I said $500,000 lost of which you would have had a million-dollar gain had we not had to write down those Ginnie Mae/Fannie Mae certificates to market value.

Page 13 and 14 are the cash flow statements. The cash flow statements are presented just to tell the reader, okay, where did we spend cash; where did we receive cash? And the most important number is the top section, cash flow provided by operation. So there was a positive cash flow of $878,000 from operations.

But look down at the bottom of that same page and you'll see cash decreased by $16.5 million. The reason why cash decreased is because cash that was sitting with the bond trustee at Wells Fargo Corporate Trust Services was used to liquidate -- how many in bonds? -- 19 to 20 million dollars' worth of bonds were paid off. That took cash. So it just moved from cash. So, in reality, you enjoyed 878,000 dollars' worth of cash increase.

On the bottom of page 14, you're required to tell the reader what significant non-cash transactions occurred and you did acquire some of your real estate under the Neighborhood Stabilization Program because it table-funded and so there were no checks written, no wires written from TSAHC. The department actually wired those funds directly to the title company.

The following page is an index to the footnotes and I'm certainly not going to go over all of those with you because they get very lengthy. I think I just want to go -- and I'll certainly answer any questions you might have about any specific footnotes. But I really want to go to pretty much the end of the footnotes because the footnotes are the same footnotes that you see year after year. All that's changing are the numbers are changing because the dollars earned are different and the dollars expended are different.

On page 41, note 23, next year, fiscal year 2013, they're going to be three accounting pronouncements that are going to impact the corporation. This is just putting the reader on notice, and management as well, that GASB 61, 62, and 63 are going to come into play next year. They're not going to have a substantial impact on the corporation, with exception of probably Number 63, and 63 is going to change nomenclature as much as anything.

MR. JONES: What are we referring to? Excuse me.

MR. MIKESKA: I'm sorry. I'm on page 42.

MR. JONES: Okay. You said 41. You're on 42?

MR. MIKESKA: I'm on 42 now. Yes, sir. It goes over to the next page. GASB 63, we won't be saying net assets anymore. We're going to be saying net position.

MR. JONES: Why?

MR. MIKESKA: The accounting gods decided to call it net position.

MR. JONES: They always have a reason when they change terms.

MR. MIKESKA: I think it's called the accountants retirement act as much as anything because it keeps us on our toes. We have to keep changing. The audit opinion next year -- this year our audit opinion was two pages long. Next year the audit opinion is probably going to be three or four pages long. It's going to almost mimic the engagement letter which you signed when you hired us to do the audit. It's just one of those things.

Again, on page 42, subsequent events, you want to tell the reader anything significant that occurred after the year end but before the financial statements were issued so the first item, a note receivable, the line of credit was extended to a half-million dollars for one of your developer partners.

Under the multifamily bond issue there was 71 million dollars' worth of multifamily bonds issued through your conduit bond program.

MR. ROMERO: Don, quick question.

MR. MIKESKA: Yes, sir.

MR. ROMERO: Is there a baseline for what a significant event would be that you'd want to report?

MR. MIKESKA: Well, I guess we would pull in the same term called "materiality." Materiality simply means, would it impact the reader or the financial statement if it was included or omitted, and given that that is some dollar amount usually, that's how you determine is it included.

But from the standpoint of including it, it's management's decision to include something that's possibly not material and I would think that's probably not a material transaction. But it's part of your program and you're saying, hey, where we know increased our lending to this development so it has a positive connotation in my mind. There's certainly nothing that says you have to have that in there, not like the second item, the multifamily bond issue that's $71 million. I think everyone agrees that's material.

Also, on page 43, the next item is certainly material, a redemption of the Single-Family New Issue Bond program. So, again, $21 million was redeemed and that took cash. That's why that was put into current assets on your balance sheet.

The next item, again, is probably not material but it's being mentioned as a positive note. The foundation fund grant awards didn't occur until the November board meeting. In the past you've traditionally done it in your, I believe, August, or maybe in July meeting. So all of a sudden this year there were no foundation grants as expenses in your income statement.

But, again, it's a mission. It's part of your program. You do these grants so I encouraged them to put it in there. I thought it was helpful to tell the reader. At year end we awarded 300,000 dollars' worth of grants, what you did at your last board meeting.

And the next one is one of those negative things, but again it's material. After year end, the mortgage-backed securities continued to decline to the amount of $3.2 million at the year end. So, again, that's a paper loss but it certainly does show up in your financial statements.

But I think the financial statement reader would be very clear in looking at your balance sheet that that's part of that $27 million or whatever it is, $27 million in net assets that's held over there by the bond trustee. So it has nothing to do with your day-to-day operations. You're just whittling away at that excess of assets over liabilities.

The rest of the report, on page 45, this is the scheduled expenditure of federal awards and at the top you will see the Neighborhood Stabilization Program, CFDA Number 14.228. You expended $772,000 under that program. And under the National Foreclosure Mitigation Counseling programs there were some adjustments in some of the older programs but primarily under Round 5 there was $611,000 expended there.

Round 6, the MOU was out but you had not expended any funds under Round 6. That's why Round 6 is blank. There's some notes to the CEFA on the next page which are not really significant but it's required.

The opinion on page 47 is what's called the Yellow Book opinion. We conducted our audit in accordance with Governmental Auditing Standards. We're required to review internal control or financial reporting and report if they're any deficiencies.

So in the one, two, three -- fourth paragraph, the last sentence, we did not identify any deficiencies in internal control or the financial reporting that we considered to be material weaknesses as defined above. In fact, we did not discover any deficiencies, significant deficiencies or material weaknesses, and we will be issuing a letter to management to that effect.

It's commonly referred to as the management letter. You normally issue a management letter when you have some sort of comments where you want improvements but the auditor is not precluded from issuing a statement saying no deficiencies, and we will be issuing such a report.

And compliance and other matters, we're required to review compliance with various laws, regulations, contracts and other agreements to make sure that there was no noncompliance because if there's noncompliance it's going to have a material effect on the financial statements. We would need to report that to you and to the public. We discovered no noncompliance.

And on page 48, the last opinion from the auditor is the single audit. Again, we have to look at compliance with respect to your major program. Again, your major program this year was National Foreclosure Mitigation Counseling, so that's the program we audited primarily. We found no instances of noncompliance.

We looked at internal control over compliance and again on the second -- on page 49, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. So there were none.

Page 50 -- I hate the title of this. Page 50 says schedule of findings and questioned costs. Well, there are no findings and questioned costs but we don't have the ability to change that name.

Financial section, type of auditor's report, unqualified. That's a clean opinion. Were there any material weaknesses? No. Any significant deficiencies? None reported. Noncompliance? No. Then under the federal awards section, any material weaknesses? No. Any significant deficiencies? None reported. The type of auditor's report issues, unqualified. There were no findings that had to be reported. And as I mentioned earlier, the major program was National Foreclosure Mitigation Counseling and the auditee did qualify as a low-risk auditee.

Page 51 is the schedule of findings and questioned costs for the prior year -- oh, under financial audit, none. Major [indiscernible] programs, none. Page 52 is the prior year. If there were any prior year findings in the questioned costs, we'd have to address them in this section. There were none.

Page 53 is just an additional schedule called supplemental information that management is supplying, just telling the reader, here's the programs, land banking, foreclosure prevention, single-family, multifamily, oversight and compliance and other. And then just sort of dividing the revenue and the expenses by those programs, just to give you an idea of how each program is functioning.

MR. ROMERO: I have a question in that regard.

MR. MIKESKA: Yes, sir.

MR. ROMERO: You have Other as the last column.

MR. MIKESKA: Yes.

MR. ROMERO: It looks like the vast majority of the loss comes from Other.

MR. MIKESKA: Well, the biggest item under Other, as you'll see, is salaries and wages that can't be -- it's a lot of administrative -- things that can't be directly charged to a program.

MR. ROMERO: Okay.

MR. MIKESKA: Is there anything else, Melinda, that --

MS. SMITH: No, that's really the majority of it is just an allocation of the cost across all the programs. It's administrative and the costs are allocated based on time.

MR. MIKESKA: And, again, then those same time attributes that determine how salaries are allocated also determine how occupancy is allocated. And occupancy is a big cost and that's a lot of what's under Other expenditures. And if you look at that as a percentage of the total, that's not a significant percentage. If you get administrative to where administrative exceeds, what, 25 percent? -- that's too big. And that's well under 25 percent of your total expenditures.

MR. ROMERO: So the other expenditures in that column, the $244,000, do we know what the makeup of those dollar amounts are?

MR. MIKESKA: Nick might be able to help us. I'm guessing that's primarily occupancy costs which could be everything from supplies, telephone --

MR. ROMERO: Could that be part of the program that we purchased for Tim's department?

MR. LAWRENCE: No.

MR. ROMERO: No? That wouldn't be it?

MS. SMITH: But it would be professional services and travel and equipment and --

MR. MIKESKA: And we were going for brevity. I apologize that there's not more detail.

MS. SMITH: I can certainly break it down for you and send it to you.

MR. MIKESKA: But sometimes less is better. It's just to give the reader an idea of the total impact by program. But thank you for your questions.

Are there any other questions?

MR. JONES: Any other questions, comments?

Mr. Dietz?

MR. DIETZ: No.

MR. MIKESKA: I do want to comment further that we are required to communicate directly with the Audit Committee and we don't have a quorum for an Audit Committee today so -- or didn't have it on the roll, so I will communicate directly with you. There were no adjustments that had to be reported. There were no findings and questioned costs that had to be reported.

There were no difficulties with management.

And this letter is in your packet. It's called required communication at the completion of the audit. But there were no findings. It was a clean audit, unqualified. And, again, thank the staff for their tolerance.

MR. JONES: No. Thank you. So your company has enough disclaimers in there.

MR. MIKESKA: Yes, we do.

MR. JONES: All over the thing. Now, we don't -- let me say in this, looking over here --

VOICE: I feel certain though the opinions were written by attorneys.

MR. DIETZ: I would move that we approve the annual financial audit for fiscal year ending August 31, 2012.

MR. ROMERO: I second.

MR. JONES: It's been moved and seconded.

Is there any further question on the board? Any public comment on this item?

(No response.)

MR. JONES: Hearing none, we'll take a vote. All in favor of approval of the audit as presented, signify by saying aye.

(A chorus of ayes.)

MR. JONES: Okay. It passed unanimous. Thank you.

MR. MIKESKA: Thank you very much.

MS. SMITH: Thank you so much.

MR. JONES: Thank you, Ms. Smith.

Okay. Item 3, presentation, discussion and possible approval of the audit committee guidelines.

They didn't really change, did it?

MR. LONG: As a matter of fact, Mr. Chairman, again, the audit committee guidelines reflect no major changes at all. They are being presented. They need to be approved annually and so we're asking that the board would consider the audit committee guidelines as submitted.

MR. ROMERO: I move to approve as presented.

MR. EVENWEL: Second.

MR. JONES: Moved and seconded.

Any further discussion, questions? Any public comment?

(No response.)

MR. JONES: Hearing none, all in favor say aye.

(A chorus of ayes.)

MR. JONES: Okay. They're approved.

At what point do we move to constitute -- at what point does the board make a decision who's on and who's not on the audit committee? When does that come into play?

MR. LONG: I think the board can make that discretion at any time. Obviously --

MR. JONES: When do you think we need to do it?

MR. LONG: I would make, if and when there are board member changes; i.e., we know Ms. Van Hovel's term expires and is serving as chair, and therefore Mr. Dietz currently serves on the audit committee so at that time when Ms. Van Hovel, you'll need to appoint a minimum, the new chair, and because she serves as chair, you'll need to appoint a new chair and fill another board position. That's correct.

MR. JONES: New vice chair.

MR. LONG: Well, you really meant vice chair. You said a chair of the committee.

MR. JONES: You have an audit chair but also vice chair --

MR. LONG: Well, that's true. Yes, sir. At that time you guys can discuss all those things.

MR. JONES: -- because she wears a couple of hats.

MR. LONG: Right.

MR. JONES: In fact, vice chair is the chair of the audit committee. Is that --

MR. LONG: I don't know that it's set up that way specifically.

MR. JONES: It's not?

MR. LONG: I don't think it is.

MR. JONES: Okay.

MR. LONG: I think the board determines who the chair will be and the two members that will serve on that committee. And then, by definition the president and the CFO serve as ex-officio members of the audit committee.

MR. DIETZ: I believe the term expiration occurs in February so perhaps that would be something that would best be done at the February meeting.

MR. LONG: That's a very good point.

MR. JONES: Okay. Just wanted to know what kind of timetable we were on.

All right. Item 4, presentation, discussion, and possible approval of a resolution authorizing the continued and expanded participation by the corporation in its Single-Family Mortgage Loan To Be Announced Finance program, pursuant to a GNMA Purchase Program Agreement with Morgan Keegan & Company, Inc., or its Successor, and the execution of all documents and instruments necessary to carry out such programs.

MS. OMOHUNDRO: Good morning. Paige Omohundro, Homeownership Finance Manager, along with Chris Spelbring here from Raymond James Morgan Keegan. In August of 2011 the board approved the corporation's participation in partnership with Morgan Keegan for its Single-Family loan financing program, which is lovingly referred to as the TBA program.

And given the success of that program, we seek the board's approval to continue that partnership with Morgan Keegan. Additionally, the original approval authorized TSAHC to finance up to $125 million under that program. And the resolution before you increases this amount to $300 million. That shows you what a great successful program it has been for us.

Additionally, it increases the amount the corporation can utilize in its general funds for the purposes of funding the down payment assistance under that program. Originally it was 350,000 to 500,000. So Chris and I are here to answer any questions you have regarding that.

MR. JONES: And that program is specifically designed to assist eligible individuals and families in the state of Texas to obtain adequate, safe, sanitary housing.

MS. OMOHUNDRO: Right. It's used to finance the mortgages that we typically do under a bond transaction. So our professional educators, our Homes for Texas Heroes, and those families in households at 80 percent AMFI.

MR. SPELBRING: That program was implemented because selling bonds to finance your mortgage production, like it had been in the past -- a year ago it just wasn't feasible. Your cost of funds would be too high and your ceiling of taxes and bonds so they implemented the TBA program which gives you much more attractive financing costs.

And the same situation, unfortunately, still exists in that it would be less advantageous to sell bonds to finance your mortgage loan production. So the TBA program has been a fantastic tool and it's one that likely -- unfortunately, really the only way that you can finance your production competitively for the foreseeable future.

MR. ROMERO: And we're asking for the increase because it's successful and also so you don't have to keep coming back to the board for additional authority every time you're --

MR. JONES: What did you say? What was the last part?

MR. ROMERO: I said basically not having to come back to the board for additional authority because they've already run up to the ceiling on the existing caps.

MS. OMOHUNDRO: That's correct.

MR. JONES: So you don't call it additional; you just raised the ceiling.

MS. OMOHUNDRO: That's correct.

MR. JONES: I know that's not nice to say raise the debt ceiling. Sorry.

Any other?

(No response.)

MR. JONES: Okay. Is there a motion on Item 4 as presented?

MR. ROMERO: I move to approve as presented.

MR. JONES: Is there a second?

MR. EVENWEL: Second.

MR. JONES: Moved and seconded. Any public comment? Any further discussion by the board?

MR. DIETZ: I --

MR. JONES: Yes, Mr. Dietz.

MR. DIETZ: I just wanted to point out for the record that I'm a registered representative with Raymond James Financial Services; however, I have no direct or indirect financial interest in any of these matters whatsoever.

MR. JONES: Which enables you to vote on it.

MR. DIETZ: That's correct.

MR. JONES: All right. Came clean.

(Pause.)

MR. JONES: Okay. With all of that, all in favor say aye.

(A chorus of ayes.)

MR. JONES: Is there any opposition?

(No response.)

MR. JONES: Passed unanimously. Thank you.

Continue the good work.

MS. OMOHUNDRO: Thank you.

MR. JONES: You're sitting here for the next one too?

MS. OMOHUNDRO: Yes, sir.

MR. JONES: Okay. Presentation, discussion and possible approval of a resolution authorizing the preparation of documents for proceeding with the issuance and sale of single-family mortgage revenue refunding bonds and containing other matters incident and related thereto.

MS. OMOHUNDRO: Correct. This is a program that keeps on giving. In late 2009 the board approved TSAHC's participation in the new issuance bond program, which we call NIBP, that was sponsored by the United States Treasury. The corporation issued over $73 million under that particular program.

And as a component of that, in February of 2011, the corporation converted a little over 33 million of these bonds into tax-exempt bonds and we are in a unique position given market conditions to issue refunding bonds of this particular conversion that would be of financial interest or very advantageous for the corporation.

Rather than trying to explain the nitty-gritty details of it, I'm going to let Chris -- he has a presentation for you or would like to go over the specifics of the program.

MR. SPELBRING: Well, just a little background on the transaction. We're looking at refunding one component of one the bond transactions you did in 2011. You had two conversions of the NIBP program but this is essentially looking at the first one.

It was a total transaction size of 55 million. We had to sell 40 percent of that transaction to the public market. So my firm went out and found investors for 40 percent of that transaction.

Sixty percent of that transaction actually went to essentially the US Treasury through the GSEs and they purchased those bonds essentially as a way to help HFAs in what was a difficult time. We're looking to just refund the bonds that went to the US Treasury.

Those bonds were sold at an interest rate of 3.61 percent. At the time it was a great rate that allowed you all to offer programs and good competitive mortgages. Right now there's possibly the chance to refund those bonds at a rate less than 3 percent.

The financial -- and this is purely a financial economic transaction for the corporation. We're not making new mortgages. What we're looking to do is potentially refund those bonds, lower the rate from 360 to whatever it ends of being, hopefully, well below 3 percent, and essentially allow you all to keep the difference in the debt service. So we're essentially carving out what'll be an ongoing fee for the corporation.

Right now there seems to be plenty of room -- it looks like a good financial transaction for you all. I believe we'll come back in January, after preparing all the documents, for additional approval to move forward and additional details at that time but right now -- I don't want to speak for Paige but there appears to be enough incentive to move forward at least in the preparation for documents to come back to the board in January.

MS. OMOHUNDRO: That's correct.

MR. ROMERO: I know the market can change but do you have an idea of what kind of income we're looking at.

MR. SPELBRING: Yes. This particular program would require the corporation to make an investment for cost of issuance to actually get the transaction done. It would receive income back over time and that income potentially -- there's essentially $30 million of bonds outstanding. Those bonds pay down over time just like a mortgage would.

We're looking to hopefully carve out an issuer fee between 60 and -- we'll just throw out a number of

100 basis points. So clearly 100 basis points, or 60 basis points, on $30 million, the recoupment of the investment would occur probably in the first couple of years.

As you said the market can move and it can move quickly, and especially with the way rates are as low as they are right now, there could be a quick snap back and this transaction may go away but I think all the professionals that will work on the transaction know that this might be something that in a month disappears. So we're trying to move quickly and I think that's why TSAHC and the staff wanted to bring this to the board quickly and hopefully try to actually execute a transaction in January.

MR. JONES: Understood. This might be an aside but this is tied to 2009 issuance. How did that relate to the auditor's report about liquidating? You liquidated some of the 2009 stuff or all, because you just said there was 33 million that was still outstanding. So the liquidation that was reported by the auditor is a portion?

MR. SPELBRING: Well, the 2009 transaction essentially allowed the corporation to have committed funding through the US Treasury. What you would do essentially is the corporation would make mortgages and they would pool them together and they would hold onto them until they got up to such size that they would issue a transaction. The 2011A transaction that we're talking about was one of those and you had two of those transactions.

The corporation didn't use all of those assets in a bond transaction. They actually took some of those assets -- the Ginnie Maes, the mortgages they'd created, and actually just sold them in the market and sold them for financial gain and they did that a number of times. So I believe in the auditor's report when they were talking about a $600,000 gain, that's what they were talking about, the sale of some of those assets that ultimately didn't end up being security for a bond transaction.

MR. JONES: Okay. Any other questions? Jerry?

MR. DIETZ: Do we have any expenses associated with moving forward with preparation of documents? Is that why we're approving this?

MS. OMOHUNDRO: Well, there are various documents that are necessary. We do need to go before the bond review board to have this transaction approved but, yes, there are expenses that will be incurred as Chris mentioned in the issuer fees for this particular transaction

MR. JONES: But the hope is that it's just done quickly, that by January we'll realize a gain.

VOICE: Not all at once though.

VOICE: It would be received over time.

MS. OMOHUNDRO: Yes.

MR. JONES: Right. Understood. Any other questions; any other comments? Any public comment regarding Item 5?

(No response.)

MR. JONES: Okay. Hearing none, as presented, is there a motion?

MR. EVENWEL: I move we approve.

MR. JONES: Move to approve?

MR. ROMERO: Second.

MR. JONES: Moved and seconded. All in favor say aye.

(A chorus of ayes.)

MR. JONES: No opposition. It passes. Thank you.

Appreciate it, Paige. Thank you.

Okay. Let's go to Item 6, Presentation,

discussion and possible approval of the publication for public comment for the guidelines, scoring criteria and targeted housing needs for the allocation of qualified residential rental project tax exempt bond funds under Multifamily Housing Private Bond Program Request for proposals and the 501(c)(3) bond program policies for the calendar year of 2013.

Mr. Danenfelzer?

MR. DANENFELZER: Good morning. David Danenfelzer, manager of Development Finance, presenting today to the board, as noted, the updated rules for 2013 and RFP for both our multifamily private activity bond program and the 501(3)(c) bond program.

As noted in my writeup, in past years we've generally approved two separate policies, an RFP for each of the different programs. Over the years though, we've essentially kind of made those almost a complete mirror policy in RFP to make sure that there's a lot of consistency and much better understanding of staff between the two different programs.

There were only a couple of unique differences that were required through statute for our 501(3)(c) bond program and after looking at the two rules very carefully, we decided that it would actually be pretty easy to merge the two documents, allow all of the similarities to continue to be similarities but then have the unique parts for 501(c)(3)s just be called out in separate sections of the document.

So as you look here -- and I do note eight differences, or eight updates, to the policies from last year, and I'll try to go through those quickly. But as noted, we did change construction standards and the language regarding construction standards in Sections 2(a) and 6(c) simply to make sure that we had a little bit more broad language about how we look at construction standards and requirements.

We previously had a dollar requirement for rehab projects; however, many of these projects, on private activity bonds in particular, are financed by the Texas Department of Housing's housing tax credit program and in their policies they have now separated out three different levels of rehab requirement and the deal with HUD projects or HUD-financed projects, there's separate types of rehab requirements and expenditures requirements.

And we essentially decided that we should try to be the most flexible and adjust but still use a base standard of quality rather than an arbitrary number of dollars because our number of 15,000, which it was last year, ended up kind of falling in the middle of all the different programs but it still wouldn't have meant anything if we spend 15,000 and the quality of the property was not brought up to our standard.

Again, we also felt that if there was a property that was in great physical condition and really just needed to be refinanced, we might be turning properties, or having to ask for exemptions from our own policy just because the property didn't need $15,000 per unit in rehab.

We also updated the language under Section 2(c) and 2(c)(I) regarding supportive housing. We've changed that to service-enriched housing. We'd actually received a comment on this last year but it was right after the board had approved our 2012 rules and policy, and this is just our -- we at the time spoke with the advocates who submitted that reference and agreed that we could go ahead and just change that and update that this year.

And they were very happy to hear that and they've been pleased with our updating of that language. And it is something that -- we do sit on the Housing and Health Services Coordination Council for the state of

Texas and that's the language that that body, which represents both health and housing services, has agreed to for service-enriched housing.

I won't jump through too many of the other things although I do want to note that down under Number 6 we did put a special notice in there regarding professional service fees. The next agenda item will deal with the ratification of two of our professional service providers for bond counsel and issuer counsel and we've still been working on negotiating their fee structure.

I think we're pretty close, if not actually right on with those fee structures already but I didn't really have enough time to amend the policy, get it published in the board book and to you. Since this is just a draft, we are able to go ahead and update the draft before January and get you guys the final on those professional service fees.

For financial advisor --

Yes?

MR. JONES: This is for publication for public comment.

MR. DANENFELZER: Correct.

MR. JONES: So the finalizing of that aspect of it will delay publishing for public comment but it's not a material delay. Right?

MR. DANENFELZER: We don't believe it's material enough to prevent us from publishing as well. My plan is to go ahead and provide a supplementary document to this as soon as we get those --

MR. JONES: Prior to posting it?

MR. DANENFELZER: Prior to -- at least 30 days before our board meeting in January, whatever that date is.

MR. JONES: Yeah. I was dealing with -- it sounded like you were talking about posting it and then adding that other component later. Are you required to post everything and all changes and all recommendations at one time or do you do it in a supplemental way or what?

MR. DANENFELZER: My understanding is that we're not legally required to post and ask for public comment on every change we make.

MR. JONES: Okay.

MR. DANENFELZER: However, as a practice we have historically done that.

MR. JONES: Okay. Understood.

MR. LONG: Obviously, the best thing for us, Mr. Chairman, is to ensure that we provide as much opportunity for public comment and feedback and that has been our rule of thumb all along.

MR. JONES: Understood.

MR. LONG: So we're going to offer the opportunity for public comment and feedback to the extent that we can. Obviously, we don't want to slow down our programs but at the same time we want to make sure that we've heard from everybody that needs to have comment.

MR. JONES: I understand. I follow you. Go ahead.

MR. DANENFELZER: Yeah. And we'll discuss with general counsel about the process of incorporating that new language but I don't think it'll be a problem and I certainly don't want it to delay too much further --

MR. JONES: Yes, that's my point.

MR. DANENFELZER: -- the issuance of it so we can at least start marketing the program and bring in applications.

MR. JONES: I'm satisfied that you can do it without that piece being finished.

MR. DANENFELZER: Good. And then, I think the only other thing of significant change or -- I don't know that it's that significant is we did increase our closing fees from .5 percent to .75 percent so just a small bump up. This brings us closer to what other issuers in the state charge for closing fees on deals. We're still below most issuers or about really in the median for issuers statewide. We just felt like we could earn a little more and not really do -- without really putting any real additional burden in development.

MR. ROMERO: David, is that a set fee? Is that charged and collected or is it negotiated?

MR. DANENFELZER: It is charged and collected at closing. We do not adjust that fee unless there's a mitigating circumstance.

MR. ROMERO: That was my question. So why wouldn't we go to 1 percent if you still had that leeway to adjust it based on the applicant or the project?

MR. DANENFELZER: I think it's because the .75 purchase is kind of in the middle of the pack; 1 percent is at the top of the pack.

MR. JONES: I don't think we would want to put ourselves in the position where everybody would try to get adjustments.

MR. ROMERO: No. And that's the reason I

asked if there was a set fee that you don't negotiate. It's done once you close the deal.

MR. DANENFELZER: Yeah.

MR. ROMERO: And you said there's mitigating circumstances so --

MR. JONES: But that's determined by us.

MR. DANENFELZER: I mean but that's determined by you. Certainly, anyone could come to the board and request a waiver of any of our fees or anything like that but I imagine -- well, I'll say staff would have to have a really good reason to recommend any like --

We do want to get paid for the work that we do on these deals and this also does not include the administrative fee that we collect which is ten basis points or .1 percent. So we do collect a secondary fee on top of this fee. It's just this is the only one we felt --

MR. JONES: Oh, the fees are integral to the fact that we use no general fund money.

MR. DANENFELZER: Absolutely.

MR. JONES: We got to do what we have to do. That's why we've got twelve-year extension, in part.

MR. DANENFELZER: Certainly. So if there's any other questions?

MR. JONES: Mr. Dietz?

MR. DIETZ: No.

MR. JONES: I guess it's good if Mr. Dietz doesn't say anything. He's the banking guy. Like Jerry's there and he does his own net and if they don't say anything then we're good to go.

Okay. Is there a motion?

MR. ROMERO: I move to approve as presented for publication.

MR. JONES: Moved to approve.

MR. EVENWEL: Second.

MR. JONES: Okay. Second by Mr. Evenwel.

Any further discussion? Any public comment regarding Item 6?

(No response.)

MR. JONES: Hearing none, as presented.

All in favor?

(A chorus of ayes.)

MR. JONES: Okay. Unanimously passes. Thank you.

Item 7, Presentation, discussion and possible ratification of professional service providers to the corporation’s Single Family and Multifamily Tax Exempt Bond programs, including bond counsel and issuer counsel.

MR. DANENFELZER: Again, David Danenfelzer, manager of Development Finance. This year we've decided to go out to RFP or requests for proposals. We've submitted three separate requests for proposals for professional services related to our Tax Exempt Bond programs, both Multifamily and Single Family.

To be clear the bond counsel RFP does represent -- bond counsel represents both Single Family and Multifamily Tax Exempt bond issues. Financial Advisor, which was also published, does represent both Multifamily and Single Family. However, issuer counsel is a unique service that we get only for our multifamily tax-exempt bonds.

And there is some other services that we get along with Single Family but that's held under a different contract and different agreement.

We did want to update these again. Partly we try to get these out in time so that we could also get a lot of the negotiation and selection done for the rules which we just approved for publication as draft.

We had three applicants for the two that we are ratifying today, which is bond counsel and issuer counsel, Fulbright & Jaworski, Mahomes Bolden, and Greenberg Traurig. Based on the review by the executive team and staff involved in that review, which included the president, executive VP and chief financial officer, we reviewed all of the submissions and it resulted in staff and the executive team selecting Fulbright & Jaworski as bond counsel. They are our current bond counsel and have been for the past six years. Their experience and the services they provide us have been excellent and so we decided to stick with that as our bond counsel.

On Mahomes Bolden, as issuer counsel, we really -- it was a much more difficult decision because all three of the applicants really had very good -- the experience and their connections with so many different issuers and public finance in general was very key.

As I noted here, Mahomes Bolden has a lot of clients within Texas, including the General Land Office and Veterans Land Board, and we just really felt that this was a good opportunity for us to bring in some new representation as issuer counsel, someone who can represent our business, the business requirements we have under the Multifamily Bond program and I'll let the writeup speak for itself.

I'm available for questions.

MR. JONES: Any questions on the two

recommendations?

(No response.)

MR. JONES: So we're voting on approving these two recommendations.

MR. DANENFELZER: Sorry to interrupt but I'd like to note that William Mahomes and Steven Bolden are in the audience today. I'll have them stand up if you will, please, wave your hands.

MR. JONES: Which one is which?

MR. DANENFELZER: Mr. Mahomes is next to the wall. Mr. Bolden -- I was going to say red tie but they both have red ties.

MR. JONES: Look like bankers to me. They look like lawyers.

MR. DANENFELZER: They look like lawyers. And I couldn't just say the two lawyers in the audience because there's more than two in there, I know there are.

So if there are any other questions?

MR. JONES: And what's the length of this service that --

MR. DANENFELZER: They really serve at the --

MR. JONES: We don't do this again for how long?

MR. DANENFELZER: It depends on how satisfied we are with the services. We actually have -- on our arrangements that we currently have, we allow them to serve as long as we ask them to serve and we can go out at any time with a new RFP. So if we're dissatisfied with any of our professional service providers, we can always RFP again.

We do try to look at a two to three-year window before we would consider an RFP but --

MR. ROMERO: Does the RFP note that?

MR. DANENFELZER: The RFP does not say anything regarding a two to three-year window. It simply states that they serve as long as we're happy with their --

MR. LONG: If I might add, in the past, as David said, the last time we went out for these specific RFPs was in 2006 so these firms have served over five years and I think what we typically do is try to look at a reasonable amount of time. I mean, let's be honest. When you have firms that work with us, our programs change; our products change; firms change.

And we always try and make sure that people have a chance to kind of settle in to who we are and what we're doing and them to get comfortable with it. So that takes a while. And then we want to make sure that there's an opportunity for them to actually provide services to us.

As we go through that, sometimes that time frame may change depending on what we're doing and what we're working on. So as a result, you know, two to three years is typically what we're looking at, kind of making sure everybody's on board and everything is going well, like in this case we've gone out to six years.

So we do believe it's appropriate for us to go out on a regular basis whether that's two to three years or five years, really certainly at the discretion of the board but staff's recommendation has been to look at it and just kind of re-RFP on a regular basis so we know that we're not only providing opportunity for other firms to bid but also to ensure that we're able to look at those firms on a regular basis.

MR. JONES: But I do agree that -- and what we do, just saying these are why -- we made justification for twelve years under Sunset; you want some continuity --

MR. LONG: That's correct.

MR. JONES: -- somebody that you work with, you're comfortable with, and you don't have to turn around and do it two years, three years, four -- if it's working, stick with it --

MR. LONG: Right.

MR. JONES: -- for as long as possible. Understood.

MR. LONG: Okay.

MR. JONES: Any other discussion, any questions?

(No response.)

MR. JONES: Okay. Word this like this. Is there a motion to ratify the two recommendations for professional service providers to the corporation's Single Family and Multifamily Tax-Exempt Bond program, which includes bond counsel and issuer counsel?

MR. EVENWEL: So moved.

MR. ROMERO: Second.

MR. JONES: Moved and seconded. Any other discussion or questions? Any public comment regarding this item?

(No response.)

MR. JONES: Hearing none, all in favor, say aye.

(A chorus of ayes.)

MR. JONES: Any opposition?

(No response.)

MR. JONES: Passes unanimously.

Thank you, sir. Congratulations. Welcome aboard.

VOICE: Thank you.

MR. JONES: We're on Item 8. Presentation, discussion, and possible approval of the publication for public comment of the Corporation’s Multifamily Bond Program Compliance Policy, including the assessment of penalties for noncompliance.

MS. GREEN: Good morning. I'm Mindy Green, Senior Multifamily Analyst. As Bob just pointed out, I'm presenting the 2013 compliance policy, and as you'll see in your book, I've provided the copy that has mark-outs and there's very minimal changes to the policy from last year. We do review this policy every year to ensure that we're staying current, that our penalties are still fair and current.

The biggest change that you'll see throughout the document is --

MR. JONES: Resident service. Right?

MS. GREEN: -- yes, the resident services. We just thought it would be best if we were very clear about our expectations of resident services so we put a more detailed explanation there of what we expect out of those services. Other than that, there are minor clarifications throughout the document.

If you have any questions, I'd be happy to answer them.

MR. JONES: It's pretty detailed which means because they have to make them available -- remember we talked before. You can't guarantee people are going to take advantage of them.

MS. GREEN: Right. Certainly.

MR. JONES: But they have to be offered so there's a lot here which would make noncompliance really difficult. You'd have to work hard to be in noncompliance. Right?

MS. GREEN: Right. And we don't have any issues with that currently; however, moving forward with any future deals, we want to make sure that everyone knows exactly what we expect. We're working really hard in the Multifamily Oversight Department right now to ensure that all of the developers know exactly what our expectations are for them so we're really trying to make everything very clear.

MR. JONES: Okay. Questions, comments?

Mr. Romero?

MR. ROMERO: Mindy, the compliance penalty of

$500 per violation, what enforcement do we have if they choose not to pay it?

MS. GREEN: Thankfully, we've not had to go down this path yet but what we would do is just to --

MR. ROMERO: Continue to follow up.

MS. GREEN: Yeah.

MR. JONES: What is noncompliance -- noncompliance to somebody or someone --

MS. GREEN: There are a lot of scenarios listed in the policy where they can become --

MR. JONES: I'm saying if they were in noncompliance, there's somebody that you report that to -- Right? -- because that's the conditions because Jerry's asking where is the teeth? You can say all that and say it's a $500 fine but where's the teeth to make sure those things are done?

MS. GREEN: We would go to the owner obviously, always, but then beyond that we would -- if it became serious enough -- if it could because it's a policy and as a part of the bond documents, I believe it could result in a default but I don't know that. We've never had to experience that. I don't think it would ever really become an issue.

MR. JONES: So worst-case scenario would be a default --

MS. GREEN: Yes.

MR. JONES: -- but it would have to be something more than one violation and the $500.

MS. GREEN: Yes. And it would have to be over an extended amount of time with blatant ignoring our requests.

MR. JONES: I think the answer is we hope it doesn't happen.

MS. GREEN: And honestly, we've never experienced this since the policy's been in place.

MR. ROMERO: We'll have to hand send the letter.

MS. GREEN: Yes. A very sternly written letter.

MR. EVENWEL: Would you put a lien on their property if you had this?

MS. GREEN: We could. Again, we have not done that in the past, not for a noncompliance.

MR. LONG: I think obviously, Mr. Evenwel, that the concern would be that we want to make sure and provide enough time for any of these exceptions that come up, a period to cure. And I think Mindy and James do a real good job of not only notifying the management companies and the owners that we work with that the opportunities for us to be out there to look at this is to make sure that they're compliant with both the bond documents as well as the maintenance of the properties.

We don't want to have too big of a hammer in the sense that we don't want to make this a problem. We want to be able to be more of a monitor and help keep the properties moving forward in a manner that's consistent with what we originally committed to do.

With that, certainly we don't want to place liens on properties or file suit or anything like that so our goal is to try and work out and mitigate an issue rather than to create a problem that would probably be detrimental to tenants in the long run.

MS. GREEN: Right.

MR. LONG: So while we have those penalties out there, as Mindy said, our hope is that we don't ever have to enforce them.

MS. GREEN: We spend a lot of time creating relationships so that we can always be working with the management companies and the owners so this doesn't really have to become a problem.

MR. JONES: But you still have to have it there so that they know -- it's incentive to comply.

MR. LONG: That's correct.

MR. JONES: Understood.

Any other discussion?

(No response.)

MR. JONES: Okay. Is there a motion?

MR. ROMERO: I move to approve as presented.

MR. DIETZ: Second.

MR. JONES: Moved and seconded. If no further board comment, any public comment on Item 8?

(No response.)

MR. JONES: If not, all in favor of approving as presented, say aye.

(A chorus of ayes.)

MR. JONES: Okay. Aye. It passes, unanimous. Thank you.

Go down to 9, Presentation, discussion and possible approval for publication and public comment on the draft of the Texas State Affordable Housing Corporation 2013 Annual Action Plan. I think I was used to seeing the general up here on that.

(Pause.)

MR. LEAL: Good morning, Mr. Chairman, members of the board. Charlie Leal, Government Relations Specialist. On the agenda today in Tab 9 is the draft of the corporation's 2013 Annual Action Plan, which we by statute are required to produce. The plan offers the governor, the legislature, housing stakeholders, and the general public a comprehensive look at the actions of the corporation for the previous year in addition to laying out the projected activities of the corporation for the year ahead.

The plan includes input from all program managers and staff as well as executive staff. By statute the corporation's plan is submitted to the Texas Department of Housing and Community Affairs to be included in their Annual State Low Income Housing plan, often referred to as the SLIHP.

The SLIHP is comprised of the corporation's plan and TDHCA's broad plan to address the issue of housing statewide. The SLIHP is also submitted to the governor, lieutenant governor, and the Speaker of the Texas House in the spring of each year.

Today we're requesting the board's approval for the publication and public comment period of the corporation's draft Annual Action Plan and we have recommended that the public comment period begin December 31, 2012, and end January 31, 2013. During the public comment period the corporation, along with TDHCA, will have a public hearing scheduled on January 16, 2013, providing an opportunity for anyone to express their comments on the plan in person.

Throughout the entire public comment period anyone may submit their comments by email, phone, or regular mail. Throughout the public comment period any member of the board who wishes to may also submit changes to the plan. We anticipate bringing back the final plan to the board, including any changes based on public comments received, in February of next year for your final approval.

If there's any questions, I'd be happy to take them.

MR. JONES: What time is the public comment, the joint one with TDHCA?

MR. LEAL: That's the January 16, 2013.

MR. JONES: Where and what time? Is it scheduled yet?

MR. LEAL: We're talking with TDHCA right now --

MR. JONES: Okay. About location and time?

MR. LEAL: -- for a specific location and time.

MR. JONES: But you've got that date nailed down.

MR. LEAL: Yes. The date is nailed down. I believe it will be at the TDHCA's offices. It should be in the morning, about 10:00 a.m.

MR. JONES: Okay. Any discussion? Any questions regarding the action plan?

(No response.)

MR. JONES: I like it. When people ask me about the agency. I usually refer to that as to what we do, how we do it, the whole --

MR. LEAL: It's a synopsis.

MR. JONES: Okay. Any motions?

MR. ROMERO: Move to approve.

MR. DIETZ: Second.

MR. JONES: Okay. The mover of approval has moved to approve and there's been a second.

Any further discussion from the board? Any public comment?

(No response.)

MR. JONES: Hearing none, all in favor, say aye.

(A chorus of ayes.)

MR. JONES: It passes unanimously.

MR. LONG: Mr. Chairman, before we go on, I would like to comment that Janie and Charlie -- as you know this document takes every year. We review it and it is a team effort but Janie's leadership and Charlie taking a leadership role in it again this year -- him being relatively new to the corporation, I wanted to recognize the effort that goes in to making sure this document is not only well done, which I think if you see it you'll recognize, when it's all said and done, how good it will be, but also just the fact that there's so much information that we try and put into it, that we try and make it a very good document.

And I just want you to know how much we appreciate the staff support in making that all that happen for Charlie and Janie.

MR. JONES: We're just giving Charlie a little break this time but we will see you again.

MR. LEAL: I appreciate it.

MR. JONES: Anyway he's got high standards and you came highly recommended.

MR. LEAL: Thank you.

(Pause.)

MR. JONES: All right. Thank you very much, Charlie. We appreciate it.

Final item of business, Presentation,

discussion and possible approval of a resolution appointing a member of the corporation’s board of directors as a member of the Advisory Council of the Texas Foundations Fund, such appointment to be effective as of January 1, 2013.

Ms. Bayless, good morning.

MS. BAYLESS: Liz Bayless, Executive Vice President. Good morning.

Mr. Chairman and members, at your last board meeting you approved the expansion of the Advisory Council that advises the corporation on the Texas Foundations Fund as well as helps us with our fundraising efforts. You approved expanding that council from five members, which it currently has, to ten members.

And the additional five members are to be four, each representing specific geographical areas of the state that are not currently represented on the council; that is, Houston, Dallas-Ft. Worth, San Antonio, and the Rio Grande Valley. The fifth new member is to be a member of the corporation's current board of directors.

So today we are asking you to select one of your own to be appointed to the Texas Foundation Funds Advisory Council and, obviously, we leave that choice up to you.

MR. JONES: Is anyone volunteering to serve on it from the board?

MS. BAYLESS: I understand that Mr. Romero may have volunteered. Is that correct?

MR. ROMERO: I expressed an interest but I think -- I would hope that the other board members would consider it, but yes I did.

MR. JONES: Can you tell us when this group meets and all, give us some specifics so that --

MS. BAYLESS: Sure.

MR. JONES: -- the other board members can be brought up to speed.

MS. BAYLESS: Our plan going forward is a little bit different from our past history in that we intend to make this Advisory Council a more active and involved component of the corporation's fundraising activities, as well as continuing to advise us on the awards we make under the Texas Foundations Fund.

So as such we will continue to have our annual in-person meeting here at the corporation's offices for the purposes of recommending awards for the Texas Foundations Fund. We will continue to do that probably aiming for the July/August/September time frame every year.

We would also intend to add another in-person meeting here at roughly half a year off of that annual meeting. So that's going to be in the February/March/April time frame. And that meeting would be much more heavily focused on fundraising, suggesting potential contacts we could make to approach potential donors about contributing to the corporation.

And then in between those two in-person meetings we would expect we would probably have a couple of meetings by either web conference or telephone conference call just to give status updates on how we're doing with the donor cultivation and any additional suggestions the council could make to help us with our fundraising. So rather than just getting together one time a year in person we're now expecting to get together four times a year, twice in person, twice by web or phone.

And as we add these new members from the different geographical areas of Texas, I think we'll end up benefitting greatly from the diversity of perspective as well as the expanded number of potential contacts that these people would be able to suggest to the corporation.

MR. DIETZ: I'm excited about this. I think it's going to be a great benefit to the corporation to expand this group and to do the things you're suggesting. And Mr. Romero's background and skill set will lend itself very well to that type of position so I would definitely support that.

MR. JONES: My question is would you be interested in serving, Mr. Evenwel?

MR. EVENWEL: No, thank you.

MR. JONES: Put it another way, no. I know Mr. Romero has been involved before. He's been board chair. He's been on the council and I know that he's the most experienced person but I would give an opportunity to other board members that have been so there's only one name. So I guess --

I can make motions. Right? I move that we appoint and accept Jerry Romero as the representative from the board of directors on the Advisory Council for the Texas Foundations Fund, and by acclamation.

MR. DIETZ: Second.

MR. JONES: Moved and seconded. Any other discussion? Public comment?

(No response.)

MR. JONES: You said no?

(Laughter.)

MR. JONES: All in favor, say aye.

(A chorus of ayes.)

MR. JONES: Thanks, Jerry. We appreciate your serving there.

MR. ROMERO: Thank you all.

MR. JONES: Okay. No reason to go into closed session?

MR. LONG: That's correct, Mr. Chairman.

MR. JONES: We don't have to go in and talk about these lawyers.

MR. LONG: No, sir.

MR. JONES: Well, I want to again thank the staff for the excellent professional job that they do. I'd like to thank our auditors for the exceptional job, even with all the disclaimers that they do to protect themselves, our attorney and everybody, and also Mr. Joe Schafer who's handling the recording of our minutes of this meeting. Thank you, sir.

Yes, David. Any final comments?

MR. LONG: One last thing. We kind of jumped right through and I would like to recognize the exceptional amount of work that goes into putting together our audit. We kind of moved right on and so I would like to, at least for the record, make sure that Melinda and Nick and Betsy and everybody that's engaged in our audit process -- it requires a lot of work.

I was talking to one of our other people in the building earlier today and they were impressed with how long it took Mr. Mikeska. She said, I thought he'll be maybe a day or two. Well, a month later we're still putting it together.

And I think its a testament to the fact that the amount of time and effort that goes into being able to put together and have for you the audit in the timely manner that we have to do, and every year we have to have this thing done by a certain time so that it can be submitted under the requirements by statute that we turn this in by the 20th.

So I would like to commend Melinda, Nick and Betsy and all the other staff that may have coordinated with them to get information to them, and also Mr. Mikeska for his efforts.

MR. JONES: I know that they're professional and they've always been since I've been here but I also think that in this year when we -- instead of 50 percent of federal assets, we only do 25 that it be just as thorough and even more so, so it makes sense that he would do it that way and we appreciate it.

MR. LONG: The only other thing I would --

just for the record I would let the board members know that the next scheduled that we would have, the second Thursday, is the 10th of January. There are some things that we're trying to coordinate for.

As Paige and Chris mentioned earlier, there are some timelines that we have to kind of stay within in order to get those projects that we were looking at for the Single Family Programs in front of the bond review board so we may be -- I'm going to say the 10th right now and we'll coordinate with you as we need, one, confirm quorum, and two, make sure that we have all the details on what we're going to need to have the meeting for next month. But right now the 2nd Thursday would be the 10th of January 2013.

MR. JONES: So that's what we'll have and then you'll pool and see if we get the quorum for that day.

All right. Any other business? Any other comments?

(No response.)

MR. JONES: Hearing none, meeting adjourned.

(Whereupon, at 11:24 a.m., the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: TSAHC Board

LOCATION: Austin, Texas

DATE: December 13, 2012

I do hereby certify that the foregoing pages, numbers 1 through 79, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Joseph M. Schafer before the Texas State Affordable Housing Corporation.

1/2/2012
(Transcriber) (Date)

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