

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

10:15 a.m.
Wednesday, September 14, 2011

2200 East Martin Luther King Boulevard
Austin, Texas

MEMBERS PRESENT:

JERAN AKERS
JO VAN HOVEL
JERRY ROMERO

STAFF PRESENT:

DAVID LONG, President

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MS. VAN HOVEL: At this time, Jo Van Hovel, Board meeting, Texas State Affordable Housing Corporation, to be held at the offices of Texas State Affordable Housing Corporation, 2200 East Martin Luther King Jr. Blvd, Austin, Texas 78702, will call the meeting to order.

We'll have roll call.

(Pause.)

MS. VAN HOVEL: Okay. Jeran?

MR. AKERS: Present.

MS. VAN HOVEL: Jerry?

MR. ROMERO: Present.

MS. VAN HOVEL: Jo? Present.

I declare at this time a quorum. Is there any public comment?

(No response.)

MS. VAN HOVEL: I ask again. Is there any public comment?

(No response.)

MS. VAN HOVEL: If not, then we'll go on with our audit committee report. We met this morning and we went over the budget for next year, '12, and I'm going to turn it over to Ms. Smith right now.

MS. SMITH: Okay.

MS. VAN HOVEL: And she's going to go through it with us.

MS. SMITH: This morning during the Audit Committee we -- there were three agenda items. We approved the minutes from the

December 17 meeting last year. As Jo mentioned, the Audit Committee approved the 2012 operating budget for recommendation to the full Board.

And then, finally, our auditors for fiscal years 2011, '12 and '13 were selected by the Audit Committee. And that firm is Mikeska, Monahan and Peckham. And that pretty much sums up the Audit Committee report.

MR. LONG: We do have an agenda item obviously on the Board agenda for full Board approval under Tab 2 from the Audit Committee to the Board for the review and potential approval of the 2012 budget for the corporation so we'll get to that under Tab 2.

MS. VAN HOVEL: Okay. Well, is there any questions, comments, about the audit that we just discussed?

(No response.)

MS. VAN HOVEL: If not, we'll go into the President's report.

MR. LONG: Thank you, Madam Chair. The first thing I want to do is introduce some people. The corporation since we have last met has two new staff members. I'd like to introduce them.

Jo Robiak and Jaynie Veneble are both here in the back. And Jo is going to be working with David Danenfelzer, working under our Development Finance, specifically under NSP.

MR. ROMERO: Which one's Jo?

(Pause.)

MR. LONG: And Jaynie is working in our Asset Oversight and Compliance Group with Mindy. And we're very thankful to have them both on

board and look forward to working with them. They both started September 1 so they've not even been here very long, less than two weeks.

MS. VAN HOVEL: Welcome, welcome.

MR. ROMERO: Welcome aboard.

MS. VAN HOVEL: I like your name.

MS. ROBIAK: I like yours.

MR. ROMERO: All right. Well, that's nice to start off with a hugfest.

(Laughter.)

MR. LONG: I'd also like to ask Bill Gehrig, who works with Greenberg Traurig, our general counsel firm -- Bill is going to also introduce Pam Stein who's with him. Pam is going to be working with us ongoing and I'd like Bill to just come make that introduction.

So Bill, if you don't mind introducing yourself and coming up to the mike and --

MS. VAN HOVEL: Welcome. We're glad to have you.

MR. GEHRIG: Thank you. I'm Bill Gehrig from Greenberg Traurig, your general counsel, and recently Susan Mitchell from our firm, out of our Dallas office, has been helping me serve in that role, and Susan recently has moved from Greenberg to actually join one of our clients as the general counsel so unfortunately she is departing. She wanted me to tell you, though, how much she enjoyed working with you and that she was going to miss you. She's moved to a real estate company.

But we have -- we're fortunate; we have a lot of great people at

our firm and Pam Stein, who knows Susan very well and worked with her and is also a real estate attorney, and is also resident in our Dallas office, is going to be taking over, and I'd just like to introduce her. Very happy to have her and she and I have been working together and coming up to speed on the corporation's matters.

So, Pam, if you could, welcome.

MS. STEIN: Thank you, Bill, and I am -- we were very sorry to lose Susan to a client but we hope to continue to work with her in that capacity, and she did hand over to me the responsibility of working with this Board and I'm very excited about it. I have a little bit of background in public sector as well as being a private sector attorney, primarily in real estate so I think we will work together. Thank you.

MR. GEHRIG: Thank you very much.

MR. AKERS: Thank you. Welcome.

MR. LONG: Moving forward, a couple of activities that I wanted to bring the Board up to -- to let you know. The staff have been active in participating in several meetings or attending conferences here and I'll just go down some of them. The Texas Nonprofit 2011 Summit was held September 8 and 9.

Janie Taylor and Katie Howard from our office attended that. It allowed them to interact and network with over 700 nonprofit professionals and other stakeholders that might be involved and that was a great opportunity also for us to get our name out a little bit more.

Janie and I also -- as you know, we always get a request for

asking us if we have ideas for interim charges that we would like to submit to the House and Senate member committees we report to. And the staff met and we talked through and we submitted a list of activities or interim charges we thought would be good suggestions.

As a result of that, we met with the Senate IGR committee clerk and Janie and I met with her and kind of ran down those with her and just kind of had an opportunity to meet a little bit more with her about that.

Paige and Janie just yesterday attended the Texas Association of Realtors Conference -- actually, it wasn't yesterday; it was day before yesterday. Texas Association of Realtors Conference.

That was here in Austin and they had a booth and they had a chance to network with hundreds of people that were there and get our name out. And they were there. They had a booth, as I said, so our handout evidently was very nicely accepted and they got a lot of cards so we'll have a lot of opportunity to send out some emails on that.

Mr. Romero and I made a check presentation, along with Russ Vandenberg, our committee member of our advisory council to the Texas Foundations Fund. We made our first presentation under the awards that the Board approved. That was to the -- I'm going to find my notes here.

That was to the El Paso collaborative in El Paso. They will be using those funds to assist families in housing with families that have either an individual with disability. So we had a really good turnout. Janie did a wonderful job of putting that presentation together.

We had -- Senator Rodriguez from the El Paso was there in

attendance. We had two TV cameras. The family was there. The contractor was there. And it was very well received and very well attended. We also obviously had a representative and some of the board members from the El Paso collaborative in attendance.

So we're very pleased with that and I thank Mr. Romero for his willingness to be there at the El Paso opening, and Mr. Vanderberg as well.

The next check presentation that we have on that, just so you know, is next week on the 19th of September. It's here in Austin and will be to AHA, which is another group that will be making -- here in Austin and we're real pleased to know that Representative Eddie Rodriguez who is the state rep for Austin area will be attending that with us.

The Foreclosure Prevention Task Force, as you know, the corporation has been involved in that. Katie Howard in our office has been administering that program for us and working with the Department of Housing and Community Affairs. Round Five was recently released and it's around a little over \$619,000 that we'll be administering with 12 HUD-approved counseling organizations.

We have not yet started the actual release of funds into that but I know Katie and Joann Depenning, who is the co-chair of the Foreclosure Prevention Task Force with me and Laura Ross have been going out and doing technical assistance business to some of our newer members under that who are some of our newer counseling organizations.

The Disability Opportunity Fund Conference which starts this afternoon and tomorrow, we have an active role in that. Janie and several of

the staff members have been very involved in coordinating getting that put together and we are considered a sponsor of that. We'll have several staff members attending that, as well as the Board members are welcome to attend.

If you're planning on staying over or you want to go this afternoon, obviously we'd love to have you do that. Mr. Romero has agreed to stay over and so I know he'll be attending.

One last thing I'd bring up, something we've not done in the past and I'd like to thank Minny Green for kind of coordinating and getting it done, the staff of the office on the 21st of September are going to be doing a Habitat for Humanity work day so we'll be working on a home here in the Austin area under Habitat.

I'm not sure what we're going to be doing yet. We haven't been given our marching orders yet but -- I don't know if we're sweeping or swinging hammers, one of the two, but --

MR. ROMERO: Do y'all need some additional volunteers?

MR. LONG: I think we've got a pretty good crew. I don't know.

MS. SMITH: Yes, we have a full staff.

MR. LONG: All the staff are going.

MR. ROMERO: That means -- are you the only ones doing the building or are other people involved?

MS. SMITH: To my knowledge -- I did not pay much attention --

MR. LONG: Then, obviously, that was it on kind of the meetings and stuff. I would refer you to the Tabs A through C which include the Single Family Report for our activities with our Single Family Bond program and

our MCC [phonetic] Program. You have under Tab B the Development Finance Programs Support that Mr. Danenfelzer put together for your. And then you also have under Tab C the finance report which is through January 31, 2011, for this current year budget on this past -- July budget.

And with that, I'll take any questions on those. Melinda's up here with me to answer any other questions you might have on the financial side stuff.

MR. ROMERO: Just a question for David real quick. David, on your report, you show on the loan status, In good standing, can you give me an idea what that means. I mean, obviously it means we're in good standing but is there a delinquency number there? Is it under 30?

MR. DANENFELZER: Generally, David Danenfelzer, Manager of Development Finance, the In good standing categorization is for any loans which are all current with any loan payments and principal interest payments that are due. If a loan begins to become late, as 30 days or more late, then it would change its status to delinquent and then at 90 days it would become something we would change to work out necessary.

MR. ROMERO: Okay.

MR. DANENFELZER: So at this time we don't have any delinquent loans in our portfolio.

MR. ROMERO: You need to keep it that way. Right?

MR. DANFELZER: That's my plan.

MR. ROMERO: That's all I needed to know. Thank you.

MR. DANFELZER: Okay.

MR. LONG: And with that, Madam Chair, I don't have any other items to report.

MR. AKERS: I have a question --

MR. LONG: Oh, I'm sorry, Mr. Akers, please --

MR. AKERS: -- not related to finance.

MR. LONG: Okay.

MR. AKERS: Are you open to that now?

MR. LONG: Go ahead.

MR. AKERS: In my mind -- it may not be the reality, but in my mind there was some fluidity in the difference between the Texas Housing and us and especially with the new administrator or executive -- ED they have over there.

Is there anything that has changed or has become more settled is perhaps a better way to put it with that change and such that will affect us?

MR. LONG: I can report to you that we actually have engaged meetings -- Ms. Bayless has been engaging in, and we set up meetings. We had our first meeting with the executive staff over there. We sat in and they actually came over here and we had a meeting a couple of weeks ago with them to kind of lay out some things. And it's our expectation that we'll have regular meetings.

We haven't scheduled whether it will be monthly or quarterly or weekly, or whatever, but right now it's our expectation we would meet to discuss things that we're working on together such as the things I've mentioned earlier today or things that we want to work on and just let each other know what we're

doing, so my answer would be, yes, it's become much more fluid. Our expectation and hope is that it will continue to be that way and I know they have a board meeting tomorrow with some things being discussed so we'll just continue to monitor and work together and keep you apprized of that.

MR. AKERS: Okay. Thank you.

MR. LONG: You bet.

MS. VAN HOVEL: Are we going to be able to get more --

MR. LONG: I don't know. To answer your question, Ms. Van Hovel, I don't know. I mean, right now, obviously, until the legislature decides other than that, there are things that we're discussing with the Department and I can't tell you, other than just making sure we're coordinating and ensuring that we're in communications with them. If that works out --

MS. VAN HOVEL: We're going to have enough staff to take care of --

MR. LONG: Right now we have plenty of staff to do the things we've mentioned as well as being able to take on more capacity. If we need to take on more capacity and there's a need for additional staff, obviously we would communicate that to the Board.

We'd also make sure that there was a flow of revenue that would support any additional staff we would need before we took anything on. Will we have space in the building to do that? -- but I'm not expecting there'll be any significant changes any time soon.

MS. VAN HOVEL: When do you anticipate this might happen?

MR. LONG: I don't -- I mean, I can't even tell you because I

don't know what would come up. We don't have anything -- there's nothing on the table that's up for discussion that we would take on for the Department right now.

MS. VAN HOVEL: Okay.

MR. LONG: And the only time that that would change would be if the legislature in 2013 elected to make a recommendation for that to happen.

MR. ROMERO: David, in regards to the question that Ms. Van Hovel asked, do you think that it's possible that during -- once we get to the end of these interim charges there might be some further discussion at that point?

MR. LONG: I think anything's possible. I mean, obviously the interim charges are just our recommendations that we came up with regarding what we thought were important ideas for them to consider, whether or not the lieutenant governor or the Speaker would elect to put those into interim charges and push them back down to the committee chairs for them to have those interim charges be recognized and discussed. I don't know but, again, we'll continue to work with the Department.

I'm very optimistic that the relationship we have with the Department and the new executive staff will continue to create opportunities for us to be more engaged with other, and as a result of that, there may be things that come up that we'll report to the Board accordingly.

MR. ROMERO: Okay.

MS. VAN HOVEL: They have a new staff?

MR. LONG: The executive director, the interim executive director is a gentleman by the name of Tim Irvine. He is the new executive

director and the Board -- the governor appointed a new chair, Mr. Oser, who's out of Sugar Land. And they were having their first board meeting tomorrow so I really don't know much about the --

MS. VAN HOVEL: Chair of the board?

MR. LONG: Chair of the board, board chair, yes, ma'am.

MS. VAN HOVEL: What is his name?

MR. LONG: I think it's J.D. Oser.

MS. VAN HOVEL: Okay. And everybody else remains the same.

MR. LONG: As far as I know, yes ma'am. And with that, Madam Chair, I'll conclude on my report.

MS. VAN HOVEL: Did you speak on Tab C?

MR. LONG: Unless -- I basically left it open for questions. If anybody had any questions -- that is the financial report for the corporation through July 2011 and unless Melinda or the Board has any feedback -- I didn't -- I thought we were in line with where we expected to be on the budget. From a percentage standpoint, we're well in line and I think you can see that we're doing well at this point in time. So I didn't have any comments --

MS. VAN HOVEL: Okay.

MR. LONG: -- or anything that I wanted to add.

MS. VAN HOVEL: Okay. What about -- did we go through the sheet where it says "Assets" and all of that?

MR. LONG: Yeah, that's the financial report that I'm talking about. That whole section, Tab C, is what I'm talking about.

MS. VAN HOVEL: Okay.

MR. LONG: So unless the Board has questions I don't have any else, Ms. Van Hovel.

MS. VAN HOVEL: Is there any questions or comments?

MR. ROMERO: Just for clarification, this is just through the end of July though.

MR. LONG: Through the end of July 2011. That's correct. This last year's budget.

MR. AKERS: There's one is here about bad debt which was an extremely small amount, 33,000 compared to the whole thing? Was that -- if I'm not mistaken, and I'm trying to rack my memory. Seems like two meetings ago or three we talked about one that we were going to have to deal with. Is that what this is? Is it one event or what?

MS. SMITH: Anything that we have in the financial statements that's related to any of our debt or loans receivable, we would have an allowance set up, some sort of an allowance set up. And we do have, for certain of our notes receivable, an allowance set up.

MS. VAN HOVEL: Is that a real bad debt?

MS. SMITH: No, it's just an estimated --

MR. AKERS: Okay.

MS. SMITH: It's a conservative estimate. We've not written anything off and we, at this point, don't feel that we're --

MR. AKERS: But we're talking about the current -- it's Tab C where we talk about operating revenues.

MS. SMITH: Uh-huh.

MR. AKERS: It says interest and investment income, bad debt of 33,000 --

MS. VAN HOVEL: Yes.

MS. SMITH: Oh, yeah, I see.

MR. AKERS: -- which is different than what you thought I was asking.

MS. SMITH: Well, and what that is is it's just the estimate of what we think may be uncollectible --

MR. AKERS: Accumulation. Right.

MS. SMITH: -- during the year that we've written off to the income statement.

MR. AKERS: Okay.

MS. VAN HOVEL: Why did you choose to call it bad debt?

MS. SMITH: Because we made a mistake and we should have called it uncollectible, estimated uncollectible. You had pointed that out to me before and we made that change on our balance sheet, I believe.

MR. LONG: It's called that in here.

MS. SMITH: Yeah -- lower, but further down in the statements it's called uncollectible. We need to correct that --

MR. LONG: You're correct, Ms. Van Hovel. It should always be clarified as net of uncollectible amounts.

MR. AKERS: And that's fine. I was just trying to tie it back to -- we had some conversations, as I said, two or three meetings ago and we

were talking about some bad debt, and I was just -- if this was a finality of that.

MS. SMITH: Yeah. It probably -- yes.

MR. AKERS: Basically my question so -- okay.

MS. VAN HOVEL: Yeah.

MR. AKERS: Okay.

MR. ROMERO: So where is your reserve account for bad debt?

MR. LONG: I'm not sure what you mean, where is it?

MR. ROMERO: What is the policy for bad debt set-asides?

MS. VAN HOVEL: We don't want it.

MR. ROMERO: No, no.

(Laughter.)

MR. ROMERO: I understand that but, you know, do we have a policy for a percentage of what we're going to set aside to cover bad debt at some point in time?

MS. SMITH: On our loans, yes, we do. It's anything over 90 days. Is that -- 90 days?

MR. ROMERO: But is there a specific percentage of what you're putting into that account for every loan that gets opened?

MS. SMITH: No. We do not do it that way. We look at the loan portfolio at the end of every month.

MR. ROMERO: The performance of the loan portfolio based on that. Okay.

MS. SMITH: And based on that, we set up -- or increase or

decrease --

MR. ROMERO: Okay.

MS. SMITH: -- the allowance accounts. And we do the same things for every single one of -- every loan we have, regardless of whether it's a multifamily loan or just a down payment assistance.

MR. AKERS: And as I recall, we had discussed that about a percent or not and the objective was to have absolutely no bad debt and monitor it day by day, item by item, account by account was -- as I recall.

MS. SMITH: And that's basically what we did.

MR. ROMERO: You're still doing it on a monthly basis --

MS. SMITH: Uh-huh.

MR. ROMERO: -- which is smart to do. I mean, we don't want to -- we want to know if there's money there available to cover if there happens to be bad debt but we don't want to have to not show that and then have to come back with a big hickey and redo the budget because we didn't allow for that.

MS. SMITH: Right.

MR. AKERS: Well, I was particularly -- to see the concept that you have. We're not going to account for bad debt or make a provision for it because then that means we have the mind-set of no bad debt which we're then working item by item, day by day.

Now, I know accounting-wise, Mr. Banker, that you do need that kind of thing but --

MS. SMITH: Right.

MR. AKERS: -- for me, a salesman --

MS. SMITH: Yes.

MR. AKERS: -- it's better not to have the verbiage in there so I was --

MS. SMITH: Yeah, the language, the semantics --

MR. AKERS: -- pleased for that in the past --

MS. SMITH: Yeah.

MR. AKERS: -- as we talked about it.

MS. SMITH: Yeah.

MS. VAN HOVEL: So what else can we call it?

MS. SMITH: Uncollectible, estimated uncollectible.

MR. LONG: Which is what we have in some -- that was just an error on our part not --

MS. SMITH: That was an error. We didn't catch that one line item this time.

MR. AKERS: I didn't mean to open a can of worms.

MS. SMITH: We copied those financials, the, you know, the line items.

MS. VAN HOVEL: I guess I still don't like those words.

MS. SMITH: Oh, well, we'll remove it; we'll change it to say -- instead of bad debt we'll call it an estimated uncollectible.

MS. VAN HOVEL: On another line.

MS. SMITH: On all of them.

MR. AKERS: Well, this one in the future will say that. Right?

MS. SMITH: Pardon?

MR. AKERS: This particular line item will say that in the future instead of bad debt.

MR. LONG: Correct.

MS. SMITH: Correct.

MR. AKERS: Okay. So they basically have changed it.

MS. SMITH: Correct.

MR. LONG: Correct.

MS. SMITH: We'll correct this one in the future. All of them will say that.

MS. VAN HOVEL: Is there any other comments?

(No response.)

MS. VAN HOVEL: Everything else look okay?

(No response.)

MS. VAN HOVEL: Better bring it to the floor now.

(Laughter.)

MR. LONG: Then, I guess with that that would conclude my president's report.

MS. VAN HOVEL: Thank you, Mr. Long.

With that, we will go to Tab 1 and that is approving the minutes of the last meeting which was August 11, 2011. Is there any corrections to the minutes?

(No response.)

MS. VAN HOVEL: Is there any public comment?

VOICE: We need a motion.

MS. VAN HOVEL: I make a motion.

MR. ROMERO: I move to approve the minutes as presented.

MS. VAN HOVEL: Is there a second?

MR. AKERS: I'll second.

MS. VAN HOVEL: Okay. The motion's been made and seconded that we accept the minutes from the last meeting. All of those -- any public comment?

(No response.)

MS. VAN HOVEL: Is there any public comment about the minutes?

(No response.)

MS. VAN HOVEL: I'll ask again, is there any public comment?

(No response.)

MS. VAN HOVEL: If not, the minutes stand as read. Okay.

We go to -- back to the budget.

MR. LONG: Okay. You want to take this one --

Ms. Van Hovel, we still need to take a formal vote. You need to call for the vote.

MS. VAN HOVEL: Oh, we didn't vote, did we?

MR. LONG: Yeah.

MS. VAN HOVEL: Okay. All those in favor of the minutes from the last meeting, say aye, please.

(A chorus of ayes.)

MS. VAN HOVEL: All opposed.

(Pause.)

MS. VAN HOVEL: Are you abstaining?

MR. ROMERO: I said aye.

MS. VAN HOVEL: Oh, I'm sorry.

MR. AKERS: I was just so loud. I'm sorry.

MR. ROMERO: You overshadowed me.

MR. AKERS: Well, and I'm closer to it too, so --

MS. VAN HOVEL: Okay. That finalizes our minutes from August 11, 2011. They stand as read.

Let's go to Tab 2. Are we ready for that?

MR. LONG: Melinda, you want to --

MS. SMITH: Uh-huh.

MR. LONG: -- engage the minutes and go over Tab 2 for us?

MS. SMITH: Yes. We can do the second agenda item now.

Right?

MS. VAN HOVEL: Yes.

MS. SMITH: we can move forward to the budget.

MS. VAN HOVEL: Okay.

MS. SMITH: The second agenda item is the presentation, discussion and possible approval of the 2012 operating budget, and the operating budget was presented to the Audit Committee this morning and the Audit Committee approved the operating budget for 2012 for full recommendation to the Board, so we're asking that the Board approve the 2012 operating budget. We budgeted roughly \$6.2 million in revenue, \$6.2 million in

expenditures.

And I'd be happy to answer any questions if you had specific questions about any line item on the operating budget.

MR. AKERS: What was the amount of grants and donations that we collected this year, 2011?

MS. SMITH: Let's see.

MR. AKERS: What I'm trying to do is to -- you've got 1.7 million in the year, in the budget, that was projected revenue and I'm just curious if that's a significant increase, or it's about the same --

MS. SMITH: I will say it does include any -- to the extent that we're going to receive any federal dollars?

MR. AKERS: Right.

MS. SMITH: It also includes that. I'm looking for my detail on that.

MR. AKERS: One thing that I'm saying -- and let's see. That's three; that's four --

That's approximately 45 -- 40 to 45 percent of our total -- Well, not of the total. It's one over six, two over six -- it's a high percentage --

MS. SMITH: Right.

MR. AKERS: -- which is what I'm saying, and that's a good thing because we're leveraging --

MS. SMITH: Right.

MR. AKERS: -- and so what I was trying to do was to find out if this is a realistic number of 1.7 and what. Knowing you guys --

MS. SMITH: Oh, I can assure you that it is --

MR. AKERS: -- it probably.

MS. SMITH: It's very conservative.

MR. AKERS: Given that, I wanted to say I'm glad to see that we're leveraging so many grants and donations --

MS. SMITH: Right.

MR. AKERS: -- to 1.7 over six.

MR. ROMERO: It's probably conservative.

MR. AKERS: You think so?

MR. AKERS: Uh-huh.

MR. AKERS: Okay.

MS. SMITH: I have the detail on how much of that is --

MR. AKERS: So it even more validates --

MS. SMITH: -- actual donations and how much is --

MR. AKERS: -- my statement.

MS. SMITH: Pardon? It's just donations and the rest of it's federal, I pressmen.

MS. VAN HOVEL: So what was the total?

MR. AKERS: Well, it really doesn't matter to me where it's coming from. I think that my point is a little bit greater than that.

MS. SMITH: Okay.

MR. AKERS: And I want to make sure that the record reflects, and that as many people know as possible that we're leveraging every single fund that we can --

MS. SMITH: Okay.

MR. AKERS: -- from no state funds --

MS. SMITH: Right.

MR. AKERS: -- okay? -- and that we're building houses, providing homes for people. And I think to get grants of approximately \$2 million is significant and I would just want the record to reflect that.

MS. VAN HOVEL: Okay.

MR. LONG: Thank you for your comments on that, Mr. Akers.

MS. SMITH: Thank you.

MS. VAN HOVEL: And we're looking for more.

MR. LONG: Yes, ma'am, always.

MS. VAN HOVEL: Always.

MR. ROMERO: I was going to say it's probably more appropriate now because of where the legislature -- you know, when they reviewed us they gave us the 12 years based on the ability for us to rate these dollars so --

MS. SMITH: Right.

MR. ROMERO: -- it's real important for us to continue to bring that number up even higher.

MR. AKERS: And I think we need -- which Ms. Taylor does a great job of communicating that and I think it's an ongoing situation, that we need to communicate the job that we're doing.

MS. SMITH: Right.

MR. AKERS: And that's the reason I mentioned it.

MS. VAN HOVEL: I had mentioned, when we were talking about our budget, that we put more money into Janie's pockets for marketing.

MR. LONG: You mean the marketing budget?

MS. VAN HOVEL: Yeah. Where did that go?

MR. ROMERO: Other than \$24,000?

MS. VAN HOVEL: Yes.

MS. SMITH: You want to increase that line item specifically?

MS. VAN HOVEL: Yes.

MR. LONG: Do you have a number in mind?

MS. VAN HOVEL: No.

MR. LONG: Okay.

MR. ROMERO: Before -- let me ask -- I mean, that's a good comment. Is there any other line item that covers fund development in here?

MS. VAN HOVEL: No.

MS. SMITH: No.

MR. ROMERO: Okay.

MR. AKERS: What are you calling for? Fund development?

MR. ROMERO: Fund development, the ability to go out and seek funds --

MR. AKERS: Oh, okay.

MR. ROMERO: -- that support the corporation.

MS. TAYLOR: Because I think that should be raised.

MS. VAN HOVEL: Okay.

MR. ROMERO: I'm wondering if that wouldn't be a more

appropriate title for that line item, Marketing and fund development.

MS. SMITH: To call it what?

MR. ROMERO: Marketing and fund development.

MS. SMITH: We can certainly do that.

MS. VAN HOVEL: On a different line though.

MR. ROMERO: I had to make sure you were saying fund.

MS. VAN HOVEL: So what should we put in the budget then?

MR. LONG: Are you asking?

MR. AKERS: No, we're asking the staff because in Ms. Taylor's absence -- I mean I know she does a good job of leveraging free through --

MS. VAN HOVEL: And she's very conservative.

MR. AKERS: -- Twitter, Facebook, et cetera, and all that, all the social media but is it out of line? Is \$24,000 sufficient?

MR. LONG: I would suggest you -- if you're going to offer us an opportunity to increase that that Ms. Taylor would be more than happy to utilize additional funds because you want marketing on behalf of the corporation, and use those funds --

MS. TAYLOR: Yes.

MR. LONG: -- to further our initiatives. An amount that you -- if you're asking me to use some of the excess \$128,000 that's budgeted there to include that line item as we go along and it's needed, I'd be more than happy to do that. If you want me to pick a number and plug it in there -- I don't know what you want me to say there. I mean --

MR. ROMERO: Oh, no. I --

MR. LONG: You see what I'm say? We do have some leveraging there and I'd be more than happy to do it.

MR. AKERS: Here she is.

MR. ROMERO: Even if we did the \$50,000 budget for marketing and fund development, you're still looking at less than 1 percent of the overall budget. So it doesn't mean that she has to spend \$50,000 but she would have access to that as necessary to ensure that we're getting additional --

MS. TAYLOR: Marketing is very, very important.

MS. SMITH: I would agree with that.

(Pause.)

MS. TAYLOR: That's our bread and butter. So how much money you want --

(Laughter.)

MS. TAYLOR: You gave me the gavel.

MS. SMITH: Remember this will never happen again so --

MS. TAYLOR: Janie Taylor, Manager of Marketing, Development and Government Relations. I will tell you that I generally have worked within my budget. As Melinda will tell you, I ask -- kind of halfway through the year I'll ask Nick what are my expenses so far and I plan for making sure I stay within the budget.

And so there are certainly a lot more things that we want to do this year. There are -- we want to expand our foreclosure awareness activities in terms of marketing what is -- what the resources that are available to

homeowners that are at risk. I know that was a discussion we had last month here at the Board meeting.

And we're having -- Liz has set up a meeting for us to discuss this with our other partners in that issue. There's obviously -- I don't know if we -- I think you've approved the TBA program for Single Family because that program will be different than what -- there'll be some slight differences than what our current program is.

It will have to use some resources there to market that program. So certainly there's a lot more potential this coming year for more activity and I'll take as much as you'll give me.

MR. ROMERO: So, Janie, you talked about some marketing opportunities for the corporation. What about fund-raising opportunities. Are there some other resources that you're acquiring that will help you increase the amount of money you bring to the corporation?

MS. TAYLOR: Yes, and this is something that we haven't discussed yet because, to be quite honest with you, Katie and I have been working on bring a proposal to David and to Liz about hiring a fund-raising consultant. And this person or this organization, would not be an employee or anything like that.

It's just a company that we hire to help us set up some pretty aggressive goals for fund-raising and to help us determine what we need to do to get there and things that we need to be doing more of and less of, and so that organization would work with us for several months, maybe up to a year, and we have met with three different companies. We have their proposals.

Katie and I are going to review them on Friday, and hopefully next week come to David and Liz with a recommendation on the organization we'd like to look at. And that will be an additional between \$10- and 15,000 expense that we might have this coming fiscal -- this fiscal year we're in.

MR. AKERS: From my perspective, I really like that idea. You focus in with a very specific target with a professional that's very good in that area. The question I have is -- and I would encourage staff, senior staff to look at that.

My question is would it not be possible, Ms. Smith, to embrace verbally or from whatever commitment we can have here today, that should senior staff approve this that we would like to amend this operating budget to that extent. But I have not heard you say of a specific program to increase that 24,000. But you have said, now, I've got other programs over here; we can do 10 to 15. That would be 39,000, a total budget.

I'm just saying would we not be better to just go ahead and prove what we've got and have it mind that we would, Madam Chair, or President -- that we have it in our back pocket that we would be receptive, should senior staff approve your proposal because, to me, that is a very good idea.

MS. TAYLOR: Right.

MR. ROMERO: I like that process. I like the process of giving you time to go back and look and really, you know, take a hard look at what you think you're going to need for the coming year, discuss it with the management team, and then y'all can come back and, you know, give us an amended budget

that we could vote on again.

MR. AKERS: And even if it meant that 24,000 increases, you know. But from -- now, this is my personal opinion. I am not really a big fan of just sending out newsletters just for newsletters because, one, the -- I know circulars get in the trash can before they even get read. I'll rather see you do partnerships with locals and you leverage their dollars. It's sort of a grant to marketing with them.

MS. TAYLOR: Absolutely. And there's lots of things that we do. We do a lot of the email marketing. We don't generally a newsletters but send out -- and we have targeted groups that we have specified and we send out different emails to, depending on what the topic is. And then we have different events that we attend, like we were just Monday at the realtors conference.

And we have some expenses there that, obviously, for attending, for have a booth there and also the marketing material that we give out. But we collected almost 200 cards from realtors across the state who are interested in this program.

MS. VAN HOVEL: You've got to realize that she's been working on this budget the way it is for a while, so --

MR. AKERS: You mean the 24,000.

MS. VAN HOVEL: Yes.

MR. AKERS: Yes.

MS. VAN HOVEL: So in her mind, she hasn't thought of anything else and I'm sure there's lots that can be --

MS. TAYLOR: Absolutely. And I do -- I like that idea because I think that I and David and Liz and Melinda can go back and come back to you with a realistic number instead of something I'm just going to pull out of --

MR. AKERS: And when you do, I would like to see it where it's almost -- I don't mean item by item, but certainly by topic or --

MS. TAYLOR: Sure.

MR. AKERS: -- where you -- you think that we can leverage or make it more powerful, more potent. I would be interested in seeing that.

MS. TAYLOR: Okay. Absolutely.

MR. AKERS: And we know you -- that you're not this way but sometimes people get money just to have money --

MS. TAYLOR: Yeah.

MR. AKERS: -- and that's a concern. You've been operating this way for a long time.

MS. VAN HOVEL: And she has not asked for anything.

MR. AKERS: No. She does a tremendous job with it. I think what you're hearing here is that the Board wants to make sure that the corporation has the tools to get the message out and to -- as Jerry says, to get the fund operational and get it to increase that --

MS. TAYLOR: Right. Absolutely.

MR. AKERS: -- and be more successful.

MS. TAYLOR: Absolutely. Great. Well, we're work on that and get something to you, hopefully by the next meeting.

MR. AKERS: Okay.

MS. TAYLOR: Okay. Thank you.

MS. VAN HOVEL: This will give you an area to think of what you would really have liked to have done in other years that you probably have put back and not even thought about it.

MS. TAYLOR: Right.

MS. VAN HOVEL: But I know there's a lot of areas in marketing --

MS. TAYLOR: Uh-huh.

MS. VAN HOVEL: -- that we could do.

MS. TAYLOR: Certainly there is.

MR. AKERS: And from my perspective it's way okay to think outside the box.

MS. VAN HOVEL: That's right.

MS. TAYLOR: Absolutely.

MR. AKERS: You're very innovative at using social media such. I encourage you to --

MS. VAN HOVEL: She's very good at this.

MS. TAYLOR: Thank you. I have 10,000 ideas a day.

MR. AKERS: We only want to hear 999.

MS. TAYLOR: My co-workers will tell you. Great. Thank you.

MS. VAN HOVEL: Thank you, Janie, for all you do.

MS. SMITH: Are there any other questions regarding the operating budget?

MR. ROMERO: No but I'd like to go ahead and make a motion to approve the budget as recommended by the Audit Committee to the Board.

MR. AKERS: I'll second.

MS. VAN HOVEL: Okay, then --

MR. AKERS: What -- we don't have to -- legal counsel --

MR. GEHRIG: Yeah.

MR. AKERS: It's okay to do this and then --

MS. SMITH: When the motion is made and seconded, then you open the floor for public comment.

MR. AKERS: Well, but what we're talking about is amending is later. We don't have to address that at this time.

MR. LONG: That's something we can do at your discretion.
Yes, sir.

MR. AKERS: Okay. I'll second.

MS. VAN HOVEL: Okay. Now we're open to public comment.

(No response.)

MS. VAN HOVEL: Public comment?

(No response.)

MS. VAN HOVEL: If there is none, then we will vote on this Tab 2, the operating budget for 2012.

All those in favor, say aye.

(A chorus of ayes.)

MS. VAN HOVEL: All opposed, likewise.

(No response.)

MS. VAN HOVEL: It's been passed, the approval of the operating budget.

MS. SMITH: Thank you so much.

MR. LONG: Thank y'all very much for doing that.

MS. VAN HOVEL: Thank you for all you do.

Okay. Now we're at Tab 3. Now who's going to do this?

Okay.

MR. LONG: Madam Chair, Tab 3 is discussion and possible approval of a resolution authorizing staff to select a master servicer for new and/or existing Single Family Bond programs. And what has happened is there will be a brief background that I wanted to let our counsel, Mr. Gehrig, kind of give you a little history on where this came from.

Bank of America is our current master servicer for our Single Family programs. They also serve as a potential servicer on the TBA program that the Board approved last month.

In light of all of those approvals, we received notice that Bank of America may be looking to make changes in the overall organization whereby their ability to be a master servicer may no longer be in place. We don't know when that will happen; we don't know what time it will be.

We've been in contact and communications with them quite heavily. We do know that they've committed to fulfill their obligations under our current contract which is our New Issuance Bond Program, our current Single Family Bond program but they've told us they will not be able to serve under the TBA program as any type of a servicer there.

So, given all of that, what this resolution does is that it authorizes, with Board approval, us to make a change, should and when that take place. We just don't know what it is. Since the NIBP program is up for potential extension into next year, they potentially could be master servicing in the next year.

And as a result of that, we want to just kind of have this in place because if they call us and let us know, you know, at the end of November that it's happened, we want to be able to be kinds of hands-on prepared to make a change and so that's what this resolution does.

And with that, I'd like Mr. Gehrig to kind of give a little background on it from a legal standpoint and kind of where it leaves us, so Bill --

MR. GEHRIG: Madam Vice Chair, members of the Board, Bill Gehrig from Greenberg Traurig.

David, I think you summarized it very well. Recently Bank of American did announce that they were going to sell all of their servicing operations for third-party correspond loans, which is a huge business for them. It's half of their originations.

And the bond servicing is a small part of that. That is a specialized area. Right now in the industry there's only two major institutions, significant institutions, that do this kind of servicing, Bank of America which is now exiting the business and US Bank, so I think that, as David and I discussed, one of the purposes of the resolution is the possibility of talking with the other major servicer and giving the flexibility.

Oftentimes, the corporation has used an RFP process to pick the

master servicer; here, while there may be time to do that, this will give David the flexibility to do a negotiated contract possibly, if he chooses, and if that's in the best interest of the corporation, and we believe that that's fine under the law. There's no legal requirement that you RFP this type of contract.

So if anyone has any questions -- I'd add one thing about the servicing is that it's been -- there used to be several players; there used to be three or four major institutions that do this and it's been declining because the bond business is somewhat of a specialized and complex business. So --

MR. ROMERO: So are we saying that potentially it could be US Bank? We're not sure?

MR. LONG: It could be US Bank. It could be -- and if something else happens in the market where another player steps in -- it just gives us the opportunity to kind of look at what's available, Mr. Romero, and then make a decision at that time.

And as Mr. Gehrig said, you know, obviously we can't not have a servicer so if they exit very quickly, for whatever reason, we need to have somebody step into to play. We may have to do some type of an immediate negotiated agreement but at the same time, we could also then also RFP long term after that was all kind of settled down.

MR. ROMERO: Okay.

MR. LONG: But it gives us both options to kind of just react and be positioned to react regardless of what direction we end up having to go. And so that's what we're asking for is Board approval to make that decision as it comes available to us, or as needed by the corporation.

MS. VAN HOVEL: Is this scary, or what?

MR. LONG: No, it's not. It's just part of business.

MR. GEHRIG: It's just the dynamics of the marketplace.

MR. LONG: That's exactly right.

MS. VAN HOVEL: Okay. So it's not going to matter who picks it up?

MR. LONG: Well, it'll matter in terms of being able to manage the business. As Mr. Gehrig said, it is a specialized business and so right now there's one major, national institution, US Bank, that does that, other than Bank of America.

So we want to make sure whoever we choose the decision is made based on the capacity to continue to provide the service we need in order to do things properly. And US Bank is capable of doing that.

I will tell you that we have scheduled meetings with them. Ms. Bayless and I will be meeting with them sometime next month to discuss our options but we're not making any commitments or decisions at all. That's not what we're doing. We're just making sure that they're available and a player in the game still.

MS. VAN HOVEL: So you're comfortable with working with them.

MR. LONG: If we had to, yes ma'am. We'll also look at other options if they come up.

MR. AKERS: Well, as I understand it, it's an information meeting and just --

MR. LONG: That's correct.

MR. AKERS: -- so it's not a decision. It's just --

MR. LONG: No, sir. We're asking for approval to allow us to make that decision --

MR. AKERS: Sure

MR. LONG: -- once we have the ability to, one, know that we need to make that decision and, two, to survey the industry and see who's available to offer us the opportunity to work with them.

MS. VAN HOVEL: So this is not a decision.

MR. LONG: This is a decision to give us that approval to do that, yes.

MR. AKERS: We're authorizing you to make that decision when it comes to it.

MR. LONG: That's correct.

MS. VAN HOVEL: Do you think that's good, Bill?

MR. GEHRIG: Well, I think that there is an issue. As I described, one of the things about this type of servicing, it's different than regular single family home servicing --

MS. VAN HOVEL: Yeah.

MR. GEHRIG: -- because when you make a loan under a bond program, which is how almost all of these loans are made, they're subject to many requirements: first-time homebuyer income restrictions, various compliance requirements so the business has tended to stay with the institutions that are experienced in that kind of origination requirements which

are far different from than a conventional loan which is essentially underwriting, you know, a general underwriting of whether or not you have appropriate income and value of the home, et cetera.

So I think that if -- with B of A exiting the business, right now the only really established player out there is US Bank. So one of the concerns I would say is that many housing finance agencies use Bank of American right now and it's possible they could all decide to go to US Bank very quickly.

And, of course, we don't know whether US Bank can take everybody, et cetera, so there's a dynamic there because there's not a lot of players right now. But as Mr. Long said, I think other players will emerge too so it'll be worked out.

MR. AKERS: So it's important to know the marketplace. That's what this meeting is about.

MR. GEHRIG: That's correct.

MS. VAN HOVEL: What did you say?

MR. AKERS: I said it's important to know what the marketplace is about. In other words, they're going to sit down with US Bank and they're going to say what can you do, and so forth and so on, and what are you doing, and just learn about them and know that that is there.

MR. LONG: That they're an option.

MR. AKERS: Yes.

MR. LONG: That's correct.

MS. VAN HOVEL: Okay.

MR. LONG: So that's it. That's what we're proposing.

MS. VAN HOVEL: Are we voting on this?

MR. LONG: Yes, ma'am.

MS. VAN HOVEL: So I have to have a motion for Tab 3.

MR. AKERS: I move approval of the resolution authorizing the selection of the master servicer for new and/or existing Single Family programs, et cetera.

MR. ROMERO: Second.

MS. VAN HOVEL: Okay. The motion's been made and seconded that we accept the approval of the selection of the master servicer for the new and existing Single Family Bond programs.

All in favor, say aye.

MR. LONG: After asking for public comment.

MS. VAN HOVEL: Sorry.

MR. LONG: It's okay.

MS. VAN HOVEL: Public comment?

(No response.)

MS. VAN HOVEL: Any public comment, please?

(No response.)

MS. VAN HOVEL: If there is none, we'll vote on this Tab 3. All in favor.

(A chorus of ayes.)

MS. VAN HOVEL: All opposed, likewise.

(No response.)

MS. VAN HOVEL: So we have passed this resolution.

MR. LONG: We don't have any reasons to go into closed meeting, Madam Chair, so at this point, we typically -- the only other I'd like to bring up is the discussion of when we might have our next meeting. I think our next meeting would be October 13, which is the second Thursday of October. Tentatively, right now, I would throw that out obviously as us looking at --

MS. VAN HOVEL: That's a Thursday?

MR. LONG: Thursday, October 13. And again, we will make that, finalize that with the Board as we move forward and look at what agenda items we might need to have for Board approval and consideration at that time.

MS. VAN HOVEL: Okay.

MR. LONG: But that would be the second Thursday of the month which is our standard meeting date.

And with that, that concludes our items for today.

MS. VAN HOVEL: Is there a motion to adjourn?

MR. ROMERO: So move.

MR. AKERS: Second.

MS. VAN HOVEL: We'll adjourn at this time, five minutes after 11:00.

(Whereupon, at 11:05 a.m., the meeting was concluded.)

CERTIFICATE

MEETING OF: TSAHC Board of Trustees

LOCATION: Austin, Texas

DATE: September 14, 2011

I do hereby certify that the foregoing pages, numbers 1 through 43, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas State Affordable Housing Corporation.

(Transcriber) 9/19/2011
(Date)

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