

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Held at the offices of
Texas State Affordable Housing Corporation
2200 E. Martin Luther King Jr. Blvd.
Austin, TX 78702
February 14, 2013 at 10:00 am

Summary of Minutes

Call to Order, Roll Call
Certification of Quorum

The Board Meeting of the Texas State Affordable Housing Corporation (the “Corporation”) was called to order by Bob Jones, Chair, at 10:05 am, on February 14, 2013, at the offices of Texas State Affordable Housing Corporation, 2200 E. Martin Luther King Jr. Blvd, Austin, TX 78702. Roll Call certified that a quorum was present.

Members Present

Bob Jones, Chair
Bill Dietz, Vice Chair
Gerry Evenwel, Member
Jerry Romero, Member

Staff Present

Betsy Aldrich, Senior Accountant
Tim Almquist, Single Family Compliance Manager
Liz Bayless, Executive Vice President
David Danenfelzer, Manager of Development Finance
Delia Davila, Single Family Compliance Specialist
Sarah Ellinor, Homeownership Programs Coordinator
Cynthia Gonzales, Office Manager and Assistant Corporate Secretary
Mindy Green, Senior Multifamily Analyst
Katie Howard, Senior Development Coordinator
Nick Lawrence, Controller
Charlie Leal, Government Relations Specialist
David Long, President
James Matias, Multifamily Analyst
Paige Omohundro, Homeownership Finance Manager
Jo Ropiak, ACT Program Coordinator
Laura Ross, Corporate Secretary
Melinda Smith, Chief Financial Officer
Janie Taylor, Manager of Development and Strategic Communications

Special Guests

Michael Marz, First Southwest Company
Robin Miller, First Southwest Company
Pam Stein, Greenberg Traurig

Public Comment

No public comment was given at the beginning of the meeting.

President's Report

After roll call, Mr. Jones passed the gavel to Mr. Dietz to run the meeting and left the room because of illness.

Mr. Long began by saying that the Corporation had begun the administration of the Texas Statewide Homebuyer Education Program (TSHEP) effective September 1st. The first training under TSHEP was scheduled for April 8-12, 2013 and registration was now open with the goal of having 40 counselors attend.

Mr. Long then turned to the single family bond transaction approved by the board in January. He stated that the refunding of the 2009/2011A transactions would close today at 10:30am.

Mr. Long stated that the Corporation's newly designed website would launch on February 22nd. He commended staff for all their hard work on the project.

Mr. Long then discussed Single Family Compliance, noting that bringing compliance fully in-house on February 1st had gone extremely well and staff had received many compliments from lenders on the ease of the system. He noted that 8 trainings had taken place with upwards of 100 people on each call. Staff felt it was a huge success for both single family programs.

Mr. Long then discussed the Foundations Fund, noting that a check presentation in the amount of \$30,000 would be made today to Interfaith Action of Central Texas. He stated that the funds would enable Interfaith to provide critical home repairs for a very low income Austin family through its Hands-On Housing program. Mr. Long noted that this was one of Austin's largest volunteer-based housing rehabilitation programs that helps maintain affordable housing by utilizing volunteers to repair homes for homeowners who are financially unable to make the repairs themselves.

Mr. Long noted that the Corporation had received a grant from Insperity for \$5000 to be used to maintain the Texas Financial Toolbox website and the Corporation's Mortgage Calculator.

Mr. Long informed the board of conferences and meetings attended by staff over the previous month. He introduced the professionals in attendance at the meeting which included Ms. Stein, Mr. Marz and Mr. Miller. He noted that the offices would be closed for President's Day and ended by stating that the March board meeting would be scheduled for a date other than the usual second Thursday due to events occurring in Austin the second week of March.

Mr. Romero had questions about the Homeownership Finance reports found under Tab A of the board packet. Ms. Omohundro confirmed that \$16.5 million had been originated under the TBA program since January 1st. She stated that the Corporation's portfolio totaled over \$800 million. Ms. Omohundro promised to provide the exact number of families assisted and funds issued under the entire portfolio at the next board meeting.

Mr. Evenwel had questions about the development finance report found under Tab B of the board packet. He asked about the hurdles staff has encountered with the Neighborhood

Stabilization Program, and Mr. Danenfelzer explained that the program had additional due diligence beyond what was normally seen in real estate transactions. Obtaining the additional required documentation slowed down the process and made the average closing time in excess of 90 days. Describing the ACT Veterans Program, he explained that the Corporation received properties from Bank of America that were specifically targeted towards disabled and low income veterans. Staff hoped that other banking institutions would also donate properties for the initiative. It was their intention for the program to generate enough revenue so that some homes could be 100 percent donated properties where the veteran purchasing the home would be given a deferred, fully forgivable mortgage. To date, the Corporation had obtained 50 properties for the program. It was the hope that the program would continually revolve and generate enough revenues to carry it on for several years. Mr. Danenfelzer also spoke about the opportunities for developers, planners and architects to bring in community members to provide input on potential projects in meetings known as a charettes. He stated that this type of meeting could create community buy in so that all players would be on board with the proposed developments.

Mr. Evenwel asked about the Corporation's Foreclosure Prevention efforts and the report found under Tab D of the board packet. Mr. Long talked about how at first, foreclosure prevention efforts had aimed at helping families stay in their homes. Texas has one of the fastest foreclosure processes in the country so our efforts were geared toward ensuring borrowers had every option available to them including counseling and connections to servicers and lending institutions. He explained that foreclosure prevention efforts then turned to outreach, where events took place across the state that brought counselors and lenders together at one event so that borrowers would have easier access to the help and resources they needed. In addition to supporting foreclosure counseling and outreach efforts, the Corporation also supported homebuyer education provided to borrowers prior to purchasing a home. He noted that TSAHC's single family homeownership programs required homebuyer education to participate. Referring to an Urban Institute study from 2011, he mentioned the statistic that of those who sought counseling, 70 percent were less likely to be foreclosed on than those who did not. In summary, Mr. Long explained that the Corporation's foreclosure prevention efforts covered a wide spectrum from pre-purchase homebuyer education to foreclosure prevention counseling and outreach.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on December 13, 2012.

Mr. Evenwel made a motion to approve the minutes of the Board Meeting held on December 13, 2012. Mr. Romero seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 2 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on January 10, 2013.

Mr. Romero made a motion to approve the minutes of the board meeting held on January 10, 2013. Mr. Evenwel seconded the motion. Mr. Dietz called for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 3 Presentation, Discussion and Possible Approval of a Resolution Approving the Optional Redemption in Whole of the Corporation's Outstanding Single Family Mortgage Revenue Bonds (Teachers Home Loan Program), Series 2002-1, Series 2002-2 and Series 2002-3, and the Sale of the Related

Mortgage-Backed Securities, and all other Actions Required to Effectuate Such Redemption and Sale.

Mr. Long explained that the transaction being proposed today by staff involved the redemption of bonds issued under the Teacher Home Loan Program. He explained that the Teacher Home Loan Program was the first tax exempt mortgage revenue bond program set up for the Corporation by the Legislature. The first transaction under the program had occurred in 2002 via 3 different releases. Mr. Miller, the Corporation's financial advisor, explained that at year 10, the bonds were subject to an optional call where the issuer could redeem the bonds by selling the collateral. If the collateral was sold for more than the bonds were worth, it would generate a source of revenue. Mr. Miller explained that the interest rate on the mortgages issued under this transaction were higher than current market rates, so they could be sold in a very liquid mortgage backed securities market by competitive bid and create a profit for the Corporation.

Mr. Long concurred that the market was attractive for redeeming the bonds now that the 10 year threshold had been met. He noted that revenue earned on the redemption would exceed any funds earned otherwise, because no issuer fees were being earned on these bonds.

Mr. Long stated that staff was asking for the board's approval of a resolution that would give staff authority to negotiate the terms of the redemption going forward. Mr. Miller added that the bonds would be sold in a competitive bid sale prior to the end of February with the bonds being redeemed on March 1st. Mr. Long stated that staff would report to the board in March the details of the transaction and their result. Mr. Miller estimated the Corporation would earn \$400,000 on the transaction.

Mr. Long made the board aware of one final point, that the bonds were currently marked to market on our financial statements. Redeeming the bonds would show a loss on the books, though it was staff's thought that the return on the transaction would offset the loss. Marking the bonds to market results in paper losses or gains dependent on the year, and taking them off the books would create a paper loss and would not be an actual cash loss.

Mr. Romero made a motion to approve the resolution approving the optional redemption in whole of the Corporation's outstanding Single Family Mortgage Revenue Bonds (Teachers Home Loan Program), Series 2002-1, Series 2002-2 and Series 2002-3, and the sale of the related Mortgage-Backed Securities, and all other actions required to effectuate such redemption and sale. Mr. Evenwel seconded the motion. Mr. Dietz asked for public comment and Mr. Evenwel pointed out a typo in the resolution. Mr. Long confirmed that this typo would be corrected. A vote was taken and motion passed unanimously.

Tab 4 Presentation, Discussion, and Possible Approval of the Corporation's Multifamily Bond Program Compliance Policy, Including the Assessment of Penalties for Noncompliance.

Ms. Green stated that after the board had approved the draft Compliance Policy for public comment at the December board meeting, the public comment period had occurred from December 28, 2012 to January 28, 2013, and no public comment had been received. Ms. Green noted that no questions or calls had been received about the Policy. Therefore, staff was asking for final approval of the Compliance Policy.

Mr. Romero made a motion to approve the Corporation's Multifamily Bond Program Compliance Policy, Including the Assessment of Penalties for Noncompliance. Mr. Evenwel seconded the motion. A vote was taken and the motion passed unanimously.

Tab 5 Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's 2013 Annual Action Plan.

Mr. Leal stated that by statute, TSAHC was required to produce an Annual Action Plan each year. He noted that the plan offered the Governor and legislature, housing stakeholders and the general public a comprehensive look at the actions of the Corporation over the previous year, as well as laying out projected activities for the year ahead.

Mr. Leal noted that the Plan being presented to the board today mirrored what was approved by the board in December for public comment. The public comment period had occurred from December 31, 2012 to January 31, 2013, and no public comment had been received by staff. A public hearing had been held on January 16, 2013; no public comment had been offered.

If approved, Mr. Leal explained that the Plan would be submitted to TDHCA to be included in the annual State Low Income Housing Plan (SLIHP) that is comprised of the Corporation's Plan and TDHCA's plan to address the issue of housing statewide. The SLIHP would be submitted to the Governor, the Lieutenant Governor and the Speaker of the Texas House.

Mr. Evenwel made a motion to approve the 2013 Annual Action Plan. Mr. Romero seconded the motion. Mr. Dietz called for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 6 Presentation, Discussion and Possible Ratification of a Professional Service Agreement with First Southwest Company as Financial Advisor for the Corporation's Single Family and Development Finance Programs.

Mr. Jones rejoined the meeting at 10:35am.

Mr. Danenfelzer informed the board that the Request for Proposals (RFP) for Financial Advisor was originally published in November with responses due by November 15th. Only one response was received at that time so staff extended the deadline to January 7th. No further responses were received. Turning to the response that was submitted by First Southwest Company, Mr. Danenfelzer pointed out their experience serving as the Corporation's Financial Advisor for many years. He noted that Mr. Marz and Mr. Miller were available to answer any questions the board had of them.

Mr. Evenwel asked how staff judged RFPs and Mr. Danenfelzer explained that the firm's experience weighed heavily. Level of service and staffing was also reviewed. References provided by the respondent were contacted and pricing was reviewed, though in accordance with statute it was usually negotiated after the firm's selection was made.

Mr. Romero agreed that it was a necessary step to extend the deadline for RFP responses so that all possible applicants could apply.

Mr. Miller briefly spoke to the board. He noted that First Southwest Company had been financial advisor to the Corporation since 2001 and he and Mr. Marz had been involved since the

beginning. Mr. Miller spoke to First Southwest Company's experience that included serving housing finance corporations in Texas for over 30 years, and their role as a financial advisory business for 70 years. He thanked the board for the Corporation's business and noted what a pleasure it was to work with the board and staff.

Mr. Jones asked why other firms hadn't applied and Mr. Danenfelzer noted that not many financial advisory firms worked in public finance, and those that did had to avoid conflicts of interest based on whom they worked for. Mr. Danenfelzer informed the board that there were only three to four financial advisory firms in Texas and factoring in whether they worked for other statewide or big local issuers sometimes created a conflict of interest which significantly narrowed the field of those eligible to be our financial advisor.

Mr. Dietz said he was pleased with the service provided by First Southwest Company. Mr. Miller thanked the board, stating that it was a pleasure to work with TSAHC as the Corporation continued to grow.

Mr. Romero made a motion to approve the ratification of a Professional Service Agreement with First Southwest Company as Financial Advisor for the Corporation's Single Family and Development Finance Programs. Mr. Evenwel seconded the motion. Mr. Dietz called for public comment and none was given. A vote was taken and the motion passed unanimously.

Open Meeting

Mr. Long noted once again that the March board meeting might be moved to the third Thursday of the month because of events occurring in Austin the week before. Staff would confirm this date with the members to ensure a quorum would be present on that date. Mr. Dietz thanked everyone for their attendance and hard work.

Adjournment

Mr. Dietz adjourned the meeting at 10:47 am.

Respectfully submitted by _____
Laura Ross, Corporate Secretary