

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
February 14, 2013
10:07 a.m.

BOARD MEMBERS:

ROBERT "BOB" JONES, Chair
WILLIAM H. DIETZ, JR., Vice Chair
GERRY EVENWEL
JERRY ROMERO

ON THE RECORD REPORTING
(512) 450-0342

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

CLOSED SESSION (none required)

ADJOURN

PROCEEDINGS

MR. JONES: The February Board meeting of the Texas State Affordable Housing Corporation is now called to order. Good morning, everybody.

AUDIENCE: Good morning.

MR. JONES: Okay, let's see. William Dietz, Vice Chair?

MR. DIETZ: Here.

MR. JONES: Jerry Evenwel, Member?

MR. EVENWEL: Present.

MR. JONES: Jerry Romero, Member?

MR. ROMERO: Here.

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

Is there any public comment?

(No response.)

MR. JONES: Hearing none, before we go to the president's report, I'm going to pass the gavel over to Mr. Dietz, and I'll be back in a little bit.

Mr. Dietz, would you take over as chair of the meeting, please?

MR. DIETZ: I will.

So our first item on our agenda is our president's report. Mr. Long.

MR. LONG: Thank you, Mr. Dietz, members.

The individual reports and/or program area reports are in front of you under Tabs A through E. If you have any questions on those, either

myself or staff are available to answer any questions you have on that.

Quick update on some things that have been going on around here since we last met. As you recall, the Texas State Homebuyer Education Program, the administration of that program was fully transferred from TDHCA to the corporation effective September 1. We have our first training scheduled for April 8 through 12. Registration for that is now open, and our goal is to have at least 40 counselors attend this session. It will be a one-week session.

Single Family bond transactions that the Board approved at the last January meeting, if you remember, we did a refunding of the 2009/2011A transactions. That transaction actually is closing today. Staff will be getting up in the middle of this meeting to go be on that call to close, they close at 10:30. So we're excited to have that done. That worked out to be a very good transaction. We appreciate the Board's support.

On the 22nd of February the corporation will launch its newly designed website, and we'll send you an announcement and a link to the website when that's fully launched. Staff deserve a huge pat on the back. They've done a lot of work coordinating and getting that done, and I think you're going to be very impressed with the new look of the website.

The transitioning of our in-house compliance for Single Family has gone extremely well. We've received many compliments from our lenders on the ease of our system. It is a no doc system -- in other words, it's all submitted electronically. And the training has been provided, I can't even tell you how many people have been on trainings, we've done eight trainings

and we've had upwards of a hundred people on those calls at a time. And it's very user-friendly, and we feel like it's really been a huge success, both for the Single Family compliance, as well as now our MCC program which we brought in-house February 1.

Foundations Fund, we have a check presentation today. It's a \$30,000 grant check that we're providing to Interfaith Action of Central Texas.

This award is going to enable Interfaith to provide critical home repairs to a very low income Austin family through it's Hands-On Housing Program. This is one of Austin's largest volunteer-based housing rehabilitation programs. The Hands-On Housing Program works to maintain affordable housing in Austin by utilizing volunteers to repair homes for homeowners who are financially unable to make those repairs themselves.

Another update on some funding we received. We recently received earlier this month a \$5,000 grant from Insperity, and those funds will be used to maintain the Texas Financial Toolbox website that we created, as well as the corporation's mortgage calculator.

Conferences and some other things we've been attending. Tim and Paige and myself attended the NCSHA FHA Institute training that was in Washington, D.C. in the latter part of January.

David and I attended at the request of Senator West, a multifamily housing project that was being kind of laid out at the offices of Congresswoman Eddie Bernice Johnson in Dallas. It's a veterans kind of village, if you will, and it's called Hatcher Veterans Village in South Dallas.

I have been attending the Texas Association of Realtors

Conference and making presentations at their affordable housing initiatives sessions.

And Charlie and I and Janie and several other staff are continuing our legislative visits and meetings. Yesterday Mr. Romero also joined us, several staff members, and myself attended the Senate IGR, Senate Intergovernmental Relations Committee hearing, as well as the House Urban Affairs Committee hearing. We were asked to be there to make kind of an introductory presentation, kind of just updating all the new members about who we are and what we are.

Professionals that we have in attendance today, obviously, Ms. Stein is here representing us from Greenberg Traurig as our general counsel.

Also in the audience, and one or both of them will be speaking later, is Michael Marz and Robin Miller with First Southwest Companies.

Quick note, our offices will be closed on the 18th, Monday, in celebration of President's Day. And I have a question when we get to the very end, Mr. Chairman, about our next Board meeting. Typically we have those on the second Thursday of the month, and we have been told by some of our professionals that trying to get a hotel room in Austin on the second Thursday of March is almost impossible unless you want to pay about \$700 a night because it is South By Southwest, the music festival is going on that same week, and so we may look to ask you to see if we can change that to a later date, or look to maybe even bypass it, just depending on what your thoughts are.

With that, Mr. Chairman, I'll complete my report, unless you

have any questions.

MR. DIETZ: Questions?

MR. ROMERO: I do. Actually, I wanted to see if Paige could give me some information on her reports.

MR. LONG: Paige.

MR. ROMERO: So I'm looking at the reports, Paige, that you put in the book.

MS. OMOHUNDRO: Right.

MR. ROMERO: The very first one is, I'm assuming, the current program, and we've originated roughly \$16-1/2 million.

MS. OMOHUNDRO: We did.

MR. ROMERO: Is that part of the same total that comes up on the second chart?

MS. OMOHUNDRO: No, it's not.

MR. ROMERO: So this is additional to the \$258 million?

MS. OMOHUNDRO: Yes.

MR. ROMERO: And so I'm assuming this first program, this is the TBA program?

MS. OMOHUNDRO: They're both TBA program, but given that we transitioned to doing the compliance in-house, I thought it would be good to start reporting starting January 1 or January 2, from that date on, so that you can see the progress we've made by taking that on in-house. But yes, this is the TBA structure.

MR. ROMERO: And the second one is basically the TBA and

bond programs.

MS. OMOHUNDRO: It is, correct. The majority of it, though, is TBA.

MR. ROMERO: And the third one.

MS. OMOHUNDRO: The third report -- and the next time I will page number these differently so you can see, because the 2009A program has been such a large program that the report is actually two pages -- so the third report is the 2012A Mortgage Credit Certificate program which is a completely different program from that of the 2009A or the 2013.

MR. ROMERO: So what's the actual total right now that you have originated? Is it \$258- plus the \$60- plus the \$71-?

MS. OMOHUNDRO: In 2012?

MR. ROMERO: No, total in general.

MS. OMOHUNDRO: Total. Our portfolio, including MCCs and DPA, is over \$800 million.

MR. LONG: It just depends on how far back you want to go with that.

MR. ROMERO: How many families?

MS. OMOHUNDRO: I don't have that number of the top of my head.

MR. LONG: It's around 6,400, give or take.

MR. ROMERO: Okay. Perfect.

MR. LONG: I take that back. That's 6,400 under the bond structure or the TBA.

MS. OMOHUNDRO: I can have those exact numbers for you next time.

MR. ROMERO: You can do it at the next Board meeting, that's fine.

MS. OMOHUNDRO: Sure.

MR. ROMERO: Good. That's a huge number.

MS. OMOHUNDRO: It is.

MR. DIETZ: Any other questions?

MR. EVENWEL: Just a couple of questions on Tab B. Just give me a flavor of what federal and state regulatory hurdles we have to go through right now. Did you hear my question?

MR. DANENFELZER: Sorry.

MR. EVENWEL: I was just reading the first paragraph that we are going through, apparently, federal and state regulatory hurdles. I was just curious what those are. Are they financial hurdle type things?

MR. DANENFELZER: The types of hurdles I'm referring to there are related to the Neighborhood Stabilization Program which is a federally funded program started in 2008. We've purchased over 300 properties using those funds through the State of Texas, and like many federal programs, there's a lot of additional due diligence beyond and above what we would normally see in a real estate transaction. And so having to get that additional documentation, from both the buyers as well as from the mortgage lenders on the projects, really slows down the process. Our average closing time right now is well in excess of 90 days to get a

homebuyer into a home and purchase it. So that's kind of what the reference was to.

MR. EVENWEL: So the next paragraph says: So that we're able to bring the initiative to scale. I'm not sure what to scale means there. The very last line of the second paragraph.

MR. DANENFELZER: And this is related to our ACT Veterans Initiative. What we're doing there is we receive a number of properties from Bank of America right now, and we're hoping to expand that to other banks and financial institutions that have foreclosed properties. These properties, though, are targeted specifically towards disabled veterans and low income veterans.

What we're hoping, though, is that we'll be able to bring that program to a point where the revenues generated from that not only provide for free housing to veterans -- because we take a certain number of the homes, we rehab them, we sell them to pay off all the costs related to that, and then the net proceeds from those sales go into the rehab and delivery of a home to a fully disabled veteran who may not be able to afford a home or a mortgage. And so what we're able to do is provide them, basically, 100 percent deferred forgivable mortgage rather than them having to pay for an ongoing mortgage and to get them a home that they can live in and they can still maintain but they won't have the significant burden of a mortgage ongoing.

We estimate we'll be able to give away or do a 100 percent donated property to a veteran for every five to six homes that we sell, and so

what we're hoping to do, though, is bring that to a point where we can continually revolve that program and can generate enough revenues to carry it on for several years. We know that Bank of America's projection is to give away about a thousand properties over the next two years. We have a little over 50 homes right now, but we'd like to encourage Bank of America and others to kind of continue that product ongoing. We don't want it to be something that we wrap after two or three years and then we don't see an ongoing benefit from it.

MR. EVENWEL: You mentioned that 50 a couple of times. Is that part of 300 or in addition to 300?

MR. DANENFELZER: If you look a little bit below there, it's what I all the current snapshot. This is the breakout of all of the properties that we have under the ACT portfolio. You'll see the Veterans Initiative, when I printed this we had closed on 48 homes to date. I know that we have several more in the pipeline which is why I rounded up to 50.

MR. EVENWEL: Nearly 50.

MR. DANENFELZER: Yes, and we probably have almost another ten to twelve in the pipeline, so we'll be over 60 pretty soon.

The NSP program is the 300 I referenced previously, and that is those properties that we've purchased with federal dollars, and we did have a sale on one of those properties, so that was 302 before last week, but then I was able to get in the one sale and reduce the number by one when I printed the report.

MR. EVENWEL: Now I'm picking on your report, but what do

you do on a charette? I mean, I know what it is from a dictionary standpoint.

MR. DANENFELZER: And generally it is an opportunity for a developer and planners or architects to bring community members into the fold of planning and developing a project. Not only do we want the developer to kind of have a vision, but to also give stakeholders, neighborhood representatives, community leaders, bankers and others to also get a say so that they can come to the table and say that they have a vision of what this project will look like. And hopefully what develops out of that is a plan for a project which the community was bought into and feels like they have a say in it, and ultimately that you eliminate a lot of potential for NIMBY reaction to projects that way.

Because when we hear about developments happening in our neighborhoods, our communities, we all have a vision of what we wanted there, and what ends up there may not be what we imagined, but if we get at least a little say in it, sometimes we feel like: okay, we can buy into that, that's a really good plan, and you know how that was developed.

The term charette is something that's used very commonly in architecture and planning.

MR. EVENWEL: I was looking it up in the dictionary and it says it's an effort to finish the project before deadline. And I said, now, how does that relate to what you're talking about here.

MS. STEIN: If I can interject, from my days of attending planning school, that term is a French term and it came from when they would collect the final exam designs from the architecture students. They would

take a cart around and they'd have to put their plan in the cart, and so it's kind of this collective group of plans in the charette.

MR. EVENWEL: Thanks.

MR. DIETZ: Jerry and Gerry, good questions, good reports and a little trivia knowledge.

MR. ROMERO: I'm going to have to incorporate that in one of my memos.

MR. LONG: So you can take the time to explain what it really means.

MR. ROMERO: Exactly.

(General laughter.)

MR. EVENWEL: Tab D where we're talking about foreclosure prevention, we are putting a lot of effort -- I'm just talking at this point -- we're putting a lot of effort into it, and then I look at one of the smallest things here, they're getting current. What's the ultimate goal of foreclosure prevention is to get them to pay their mortgage up to date, or just to make them aware of it?

MR. LONG: I think it's all of those.

MR. EVENWEL: We're going through a lot of things here, a lot of effort you are doing.

MR. LONG: I think you could run the gamut. I think, first and foremost, when it first started it was to help people stay in their homes, borrowers who were either facing foreclosure or were at risk of foreclosure, more than 90 days delinquent. Texas has one of the fastest, if not the fastest foreclosure process in the country, so we were trying to ensure that borrowers

had every option available to them, that the resources, both in counseling as well as the options available through the lending institutions or servicers they were working with were being connected, putting those dots together.

As we went along and that all kind of processed, then it was becoming more of an outreach, making sure that you were combining the services of the lenders and the counselors and they would have these regional events where people could come with their documents in hand and sit down and meet with a counselor, and then at the same event there would be a servicer or organizational member from all these different servicers, and they would move from the counselor to the servicer and they'd actually work on a forbearance or some type of mediation or a rate reduction, or something of that nature.

And then the other thing has always been part of our programs here is we really encourage homebuyer education, so it's an education as much as it is dealing with somebody who is in it but mitigating that from the front-end by doing homebuyer education. As we've expressed several times here, in our programs in order to close on one of our mortgage loan products here, you have to have a mortgage certificate that shows you've completed homebuyer education before you can close on your loan.

We believe that is a huge added value to borrowers when they are taking on, especially first-time homebuyers. In fact, Urban Institute did a study several years ago and found that approximately 70 percent of homebuyers who complete that, 70 percent are less likely to be foreclosed on than those that do not. So there's a huge amount of added value associated

with that, and so kind of runs the gamut all the way from helping people who are at the risk of foreclosure all the way to the front-end of saying look, if you're going to buy a home, these are the things you need to know to mitigate that potential down the road. So we run the whole gamut on that.

MR. EVENWEL: Looks like a herculean effort here.

MR. LONG: It's a lot of work but we have some great partners, we have a lot of counseling organizations we work with, and the staff here are phenomenal that work on that.

MR. EVENWEL: Great. I think that concludes my comments and questions.

MR. DIETZ: Any other questions?

MR. ROMERO: None from me.

MR. DIETZ: Fantastic. Anything else we need to glean from the president's reports?

MR. LONG: Not unless you have any questions, Mr. Chairman.

MR. DIETZ: Fantastic. Let's move on to our action items for the meeting. Tab 1 which is: Presentation, discussion and possible approval of minutes of the Board meeting held on December 13, 2012.

MR. LONG: And if you remember, we did not have these minutes ready for the meeting at that time, that's why you have two sets of minutes. So I apologize for the delay but I think you'll find these to be a pretty good summary of what we did in December, as well as what you'll see for January.

MR. DIETZ: Any comments about the minutes?

MR. EVENWEL: I move we approve the minutes for
December 13.

MR. DIETZ: Is there a second?

MR. ROMERO: Second.

MR. DIETZ: Any public comment?

(No response.)

MR. DIETZ: All in favor of approving the minutes of the Board
meeting held on December 13, 2012?

(A chorus of ayes.)

MR. DIETZ: The motion passes.

Let's move on to Tab 2: Presentation, discussion and
possible approval of the minutes of the Board meeting held on January 10,
2013, the last Board meeting.

MR. ROMERO: Move to approve the minutes.

MR. EVENWEL: Second.

MR. DIETZ: Is there any public comment or discussion about
the minutes?

(No response.)

MR. DIETZ: Hearing none, there has been a motion to
approve the minutes of the Board meeting held on January 10, 2013. All in
favor?

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: That motion passes.

Tab 3: Presentation and discussion and possible approval of a resolution approving the optional redemption in whole of the Corporation's outstanding Single Family Mortgage Revenue Bonds, the Teachers Home Loan Program, Series 2002-1, 2002-2, 2002-3, and the sale of the related Mortgage Backed Securities, and all other actions required to effectuate such redemption and sale.

MR. LONG: Thank you, Mr. Chairman, members. This is a transaction, this is actually the original or the first transaction under the authority that the Corporation received to issue tax exempt mortgage revenue bonds for its original program, the Teachers Home Loan Program. This transaction was done in 2002, as defined by the resolution. It consisted of three different series of releases, and at the time when we were doing this transaction, in order to stay competitive and since it was the first time we did it, the Corporation actually released this transaction and did not take an issuer's fees, so we actually did this with no revenue stream coming back on it.

These bonds have an opportunity to be redeemed at this time, and in order to explain this a little further, I'm going to ask Robin Miller with First Southwest, our financial advisor firm, to come up and maybe kind of give you an overview of that, some of the details behind it, and at the same time give you a chance to ask any questions you might have as to what direction we're going.

MR. MILLER: Good morning. For the record, my name is Robin Miller with First Southwest Company, the financial advisor to the Corporation.

As is typical for single family bond deals, at year 10 or year 11 is the first time they're subject to what's called an optional call, an option that belongs to the issuer, so you can redeem those bonds at your choice, and to do that, you sell the collateral, and if you can sell the collateral for more than the bonds are worth, then it makes financial sense for the corporation. And because these mortgages were back in 2002, they were at a pretty high rate -- I think the highest rate was 6.70 -- those can be sold in a very liquid mortgage backed securities market now and we'll sell them by competitive bid. We estimate that you might be able to get a premium somewhere in the worth of 110 so that the dollar price will be 10 percent above par.

When you redeem the bonds there is a call premium in the early years so you can't just redeem them at par. I think it's an average of a 104 call price but there still is a nice spread between the value of the collateral and the cost to redeem the bonds and that money will come back to TSAHC to the general fund for your other program uses.

MR. LONG: And the logic, obviously, since the market is so attractive for us to be able to do this, we have reached the threshold of the 10 or 11 years, as Mr. Miller mentioned. And the Corporation did not take a fee on this transaction, this is almost a way for the Corporation, if you will, to get a back-dated fee for the mortgages that were issued, since right now we just basically are tracking this on our books, maintaining the oversight and

working with the trustee through the process of these bonds, but there is no income stream on this, and any revenue that we would generate through this sale would be kind of the Corporation's overall revenue for the program because it would basically take us out of this transaction going forward.

MR. DIETZ: So achieving the premium on the sale is what makes this a profitable transaction.

MR. LONG: Right. And the market right now is affording us that, and so the idea was not only is the market affording us that, we've reached that redeemable option period, and so therefore, it's a good opportunity for us to look at the transaction. And what we would ask is the resolution basically gives us the authority, with your approval, to negotiate those terms going forward and then report back at the next Board meeting.

In fact, Robin, correct me if I'm wrong, we would look to do this very shortly. Correct?

MR. MILLER: Yes. Because they're higher rate mortgages, they are prepaying in fairly fast speeds, so the sooner we can sell them, the better. And it would be a competitive public bid sale, so we would actually hope to sell them next week, have the bid sale next week, and then sell prior to the end of February, then the bonds would be redeemed on March 1.

MR. LONG: So we would be reporting at the March Board meeting the transaction results and update you on the whole details of the transaction at that time.

MR. ROMERO: Robin, how much do you anticipate in the sale that we would get back to the Corporation? Approximate, I know it's

going to vary.

MR. MILLER: \$400,000.

MR. DIETZ: Any other questions?

MR. EVENWEL: I think it's a great opportunity.

MR. ROMERO: It is. Especially since we're not getting anything on this, it's great.

MR. LONG: And I will just bring to the Board's attention that when we have these bonds on our books there is a mark-to-market that we do every year. You see in our audited financial statements the hickey, if you will, the negative on the structure. When we do mark-to-market, sometimes there's a gain, sometimes there's a loss. There will be a calculation on our financials that will reflect, depending on what that looks like, and right now I would imagine it would be a loss, but we think the return of the money that Mr. Miller just referenced as a revenue stream does more than offset that. And again, the transactional negative on our financial statements is merely a paper transaction.

MR. ROMERO: It's a paper transaction, but the cash is real.

MR. LONG: The cash is real, if you will, yes. But I want you to be aware of the fact that there is a potential negative on the financials, but we believe the positive financial return in terms of the revenue stream is a good offset. And I've talked with both Melinda and Nick about this and they've kind of estimated the numbers for me, and we believe that it's a good transaction for us to move forward with.

MR. ROMERO: I'll make a motion to move the resolution as

proposed

MR. EVENWEL: Second.

MR. DIETZ: Is there any public comment?

MR. EVENWEL: I have what appears to be a little itty-bitty scriber's error in the motion itself where it says on the next page where it's talking about Teachers Home Loan Program, the second and third time it's mentioned, there's a bracket after that, the first time there's not a bracket.

MR. LONG: We're more than happy to make that change.

MR. EVENWEL: Big scriber's error, just wanted to be sure that's done right.

MR. LONG: Ms. Stein, can we just correct that after the fact?

MS. STEIN: I think we can just correct that after the fact.

MR. LONG: We'll do that after the fact. Thank you, though, Mr. Evenwel, for pointing that out.

MR. DIETZ: Any other public comment?

(No response.)

MR. DIETZ: There's been a motion made to approve the resolution approving the optional redemption in whole of the Corporation's outstanding Single Family Mortgage Revenue Bonds, Series 2002-1, -2, -3, and the sale of related mortgage-backed securities, and all other actions required to effectuate such redemption and sale. A motion has been made and seconded. All in favor?

(A chorus of ayes.)

MR. DIETZ: Are there any opposed?

(No response.)

MR. DIETZ: It's unanimous, the motion passes.

Tab 4: Presentation, discussion and possible approval of the Corporation's Multifamily Bond Program Compliance Policy, including the assessment of penalties for non-compliance.

MS. GREEN: Good morning. I'm Mindy Green, senior Multifamily analyst.

The compliance policy that you see in front of you today, we're asking for approval for this policy. We brought it to you in December and you approved it for public comment at that point. It was published for public comment on December 28, and that public comment period ended on January 28. We didn't receive any public comment, so the policy you see in front of you today is the exact same policy that you saw in December.

Do you have any questions?

MR. ROMERO: When you say we didn't receive any public comment, did anybody call to just talk to you about it?

MS. GREEN: No.

MR. DIETZ: So it sounds like this is identical to what we discussed and reviewed in December.

MS. GREEN: Yes, absolutely.

MR. DIETZ: Any questions?

MR. ROMERO: I'll make a motion to approve the policy as presented.

MR. EVENWEL: Second.

MR. DIETZ: A motion has been made and seconded to approve the Corporation's Multifamily Bond Program Compliance Policy, including the assessment of penalties for non-compliance. All in favor?

(A chorus of ayes.)

MR. DIETZ: It is unanimous, the motion passes.

Tab 5: Presentation, discussion and possible approval of the Texas State Affordable Housing Corporation's 2013 Annual Action Plan.

MR. LEAL: Good morning, Mr. Vice Chairman, members of the Board. Charlie Leal, Government Relations specialist.

On the agenda today in Tab 5 is the TSAHC Annual Action Plan for the year 2013 which we, by statute, are required to produce each year. To refresh your memory, this is the plan that 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.

This is the same plan the Board approved back in December to be open for public comments from December 31, 2012 to January 31, 2013. TSAHC did not receive any public comments, nor did we receive any public comments at the public hearing we held on January 16, 2013.

By statute, the plan will be submitted to TDHCA to be included in their annual State Low Income Housing Plan, 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, the lieutenant governor and the speaker of the Texas House. And

today we are requesting the Board's approval of the final 2013 Annual Action Plan.

I'll be happy to take any questions.

MR. DIETZ: Any questions about the Action Plan for 2013?

I'll entertain a motion at this time.

MR. EVENWEL: I move we approve it.

MR. DIETZ: Is there a second?

MR. ROMERO: Second.

MR. DIETZ: A motion has been made and seconded to approve the Texas State Affordable Housing Corporation's 2013 Annual Action Plan, as presented. All in favor?

(A chorus of ayes.)

MR. DIETZ: Is there any public comment?

(No response.)

MR. DIETZ: Hearing none, the motion passes unanimously.

And we'll move on to Tab 6 which is: 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. DANENFELZER: David Danenfelzer, manager of Development Finance.

As the writeup says, we originally posted a RFP, or request for proposals and qualifications, from professional service providers back in November of 2012. The original round closed on November 15, and we did

collect for both bond counsel, issuer counsel, and financial advisor, and this is in relation to both our Single Family and Multifamily bond programs.

For financial advisor we had received only one submission at that time, and because staff, as well as the executive team, decided that we should try at least a little bit harder to go ahead and find additional respondents for the FA position, we extended the RFP to January 7, and we did do some additional marketing of the plan but did not find any additional respondents.

We did have a very good respondent, though, First Southwest Company, which has been our FA for a number of years. They did respond to the RFP. They submitted all the information, and then some, to us. And so at this point what we're asking for is for you guys to ratify that decision and selection of First Southwest as our FA ongoing.

Both Mike Marz and Robin Miller from First Southwest, who have represented us for many years, are here. I can ask them to come on up if you have any questions or want to have a presentation from them, but I assume that you're very familiar with them since we've worked so closely with them.

MR. DIETZ: Any questions for First Southwest?

MR. EVENWEL: If we had had multiple come out, would they have been judged on price or ability to do service, or what would their judgment facts have been?

MR. DANENFELZER: For the most part, experience, the level of service we anticipate from them, we look at the staffing, who those

individuals would be representing us, as well as then calling their other clients and references, just like we would pretty much do for any job interview.

Pricing comes into play, although there is some limitations in state statute regarding the selection of both bond counsel, issuer counsel, and to some extent, maybe financial advisors, so we have to be careful about using that as a baseline for selection. What we try to do is look at the respondent's experience and their ability to serve us the way we want, and then to go out and ask to negotiate pricing after the fact, or at least as part of the selection process and begin to negotiate on that basis.

And we still will negotiate and we have been negotiating on servicing fees with First Southwest, despite the fact we don't have any other respondents, but it's part of the art, I guess.

MR. ROMERO: I thought it was kind of unique that we actually extended the proposed time, because we normally wouldn't do that, so it was extraordinary that we actually did. And again, First Southwest submitted a proposal, they were the only ones, and again, in my opinion, it was an extra step that we needed to take -- we didn't need to take but we did to make sure that we had all possible applicants applying.

MR. DIETZ: How long has First Southwest been our financial advisor?

MR. MILLER: If I may, we've been your financial advisor since 2001. And actually, Michael Marz, our vice chairman at First Southwest, and I have both worked on this account, as well as some others, since 2001, and we'd like to, first of all, say thank you for the business over the years. We

have certainly appreciated that, and it's been a pleasure working with David and David and the rest of the staff.

When we started with you guys, I think there was maybe six or eight people in TSAHC, and that was before the first Single Family deal, before the first Multifamily, before the first MCC, before the New Issue Bond Program, and we've had the opportunity and we've been grateful to work with staff on all of those. You guys have an outstanding team and we appreciate you guys including us as your financial advisor and look forward to continuing that.

MR. JONES: Besides the fact that you're really good at this and you've done it and you've raised the bar, what reasons would you think there would be for other individuals not to respond?

MR. DANENFELZER: We've contemplated that quite a lot internally. I think that one significant key is that there is not a lot of financial advisory firms that work in public finance, and of those that do, they often look at how they represent and who they represent, and they do a good job of trying not to have conflicts of interest. For example, the financial advisor for the other state issuer, TDHCA, did not apply because they do feel that there may be a perceived conflict of interest between their representation of TDHCA's programs and ours. To make sure that there is no perceived conflict between those programs, they didn't apply.

And we kind of felt that that may be the reason for others. We didn't really come out and actually get others to say that, but I do think that that was probably the driving factor. When we look there's only probably

three or four financial advisory firms really active within Texas, and they represent either the other state issuer or other big local issuers and they just don't want to have that perception of conflict.

MR. MILLER: And if I might add, we've been serving housing finance corporations in Texas for over 30 years. We helped a lot of them get started back in the late '70s. And we have, myself included, four or five other staff that's all we do are housing deals. I think others have shrunk their staff or don't have a housing focus like we do.

And also, our firm, I would just note, next year we'll have our 70th anniversary serving municipalities in Texas. We've been a financial advisory business for 70 years and I think we're the number one financial advisor to governmental entities in Texas.

MR. JONES: Thank you.

MR. DIETZ: Could it also be that there are some firms that would prefer to be underwriter as opposed to financial advisor?

MR. DANENFELZER: Absolutely. And our underwriting firm did not submit, because they're our underwriter. Although they could provide FA services, we already have a relationship and that would be a clear conflict. We couldn't get necessarily independent consideration from them as FA and underwriter of the issuances that we do.

MR. DIETZ: So that further narrows the field.

MR. DANENFELZER: It further narrows down the scope of groups and it becomes difficult.

MR. DIETZ: Well, it's been my experience that we've been

very pleased with the service that First Southwest has provided, they've been proactive in bringing good ideas to the table for us, and so appreciate what you've done for us.

MR. MILLER: Thank you. It's been a pleasure working with and being part of this organization as it grows and expands.

MR. DIETZ: Any other questions or comments? If not, we'd entertain a motion.

MR. ROMERO: I will move to approve the presentation and ratification of the professional service agreement with First Southwest Company as financial advisor for the Corporation.

MR. EVENWEL: Second.

MR. DIETZ: Is there any public comment?

(No response.)

MR. DIETZ: Hearing none, there has been a motion and second to approve a professional service agreement with First Southwest Company as financial advisor for the Corporation's Single Family and Development Finance programs. All in favor?

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: It is unanimous, and Tab 6 is approved as submitted.

MR. MILLER: Thank you very much.

MR. DIETZ: Do we need to go into a closed meeting today?

MR. LONG: We do not have anything for closed meeting today.

MR. DIETZ: Okay. Well, at this time I think I'd like to pass the gavel.

MR. JONES: No, you're doing fine. Great job.

MR. DIETZ: Great. Well, is there any other public comment or matter that we need to discuss?

MR. LONG: The only item that I brought up earlier was the fact that it looks like we would ask from the standpoint of just flexibility with the Board for the meeting next month, if we need one, to be not the second Thursday but the third Thursday of the month due to the fact that we have a festival going on in Austin and we've been told by some of our professionals that currently they're unable to find hotel rooms, and if they are, they're very, very high priced, and they would ask that if we need to have them here that it would be easier to move it. If there's flexibility among the Board, we can certainly check with you as we go down the road as we determine what agenda items we may need to have viewed and discussed by the Board at that time.

MR. DIETZ: You mentioned that we may also not have a meeting.

MR. LONG: That's correct, and we just don't know at this time.

MR. DIETZ: The final determination hasn't been made right now.

MR. LONG: That's correct. We certainly don't want to exclude the opportunity to meet with the board, especially during the legislative session as it continues, but certainly want to make sure we make good use of your time to the best of our abilities as well. So we'll keep you informed. So I'd just make that point that we may be looking to do the meeting later in the month rather than the second Thursday of the month.

MR. DIETZ: Great. Well, thank you all for your attendance today. Thank you, Nancy King, for your excellent work in transcribing this meeting. And hearing no other commentary, thank you. Hearing nothing else for presentation at the meeting, we are now adjourned at 10:47 a.m.

(Whereupon, at 10:47 a.m., the meeting was concluded.)

