

TENNESSEE HOUSING DEVELOPMENT AGENCY  
BOND FINANCE COMMITTEE  
September 20, 2019

Pursuant to the call of the Chair, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Friday, September 20, 2019, at 9:00 A.M. in Conference Room G-11, State Capitol, Nashville, Tennessee. The following members were present: Michael Hedges (*Chair*), Jonathan Rummel (for Secretary of State Tre Hargett), Kevin Bradley (for Treasurer David Lillard), and Comptroller Justin Wilson (*Secretary*). Commissioner of Finance & Administration Stuart McWhorter did not attend the meeting.

Recognizing a quorum present, Chair Hedges called the meeting to order and asked for approval of the minutes of the September 4, 2019, meeting. Upon motion by Comptroller Wilson, second by Mr. Bradley, the minutes were unanimously approved.

Chair Hedges recognized Lynn Miller, THDA Chief Legal Counsel, to present the next agenda item, authorization of Issue 2019-4 and the Issue 2019-4 Reimbursement Resolution. She noted that Issue 2019-3 will close on September 30, 2019, in the amount of \$150 million with mortgage loan commitments of approximately \$117 million. Ms. Miller referenced the following documents in the Board materials:

- a memorandum regarding Issue 2019-4 from Ms. Miller, dated September 13, 2019, that described the documents to be considered, explained how the authorization for Issue 2019-4 complied with THDA's Debt Management Policy, and included recommendations regarding bookrunning senior manager and rotating co-manager based on information provided by CSG Advisors Incorporated ("CSG"), financial advisor for THDA;
- a memorandum from CSG dated September 11, 2019, that recommended authorization of Issue 2019-4 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed \$200 million, with an economic refunding component, and for RBC Capital Markets, LLC to serve as bookrunning senior manager and Wiley Brothers-Aintree Capital to serve as the rotating co-manager;
- the Plan of Financing for Issue 2019-4 in an aggregate principal amount not to exceed \$200 million to be approved by the Committee ("Plan of Financing");
- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2019-4 under the 2013 General Resolution, and delegating authority to the Bond Finance Committee to determine all final terms and conditions of the Issue 2019-4 bonds ("Authorizing Resolution");
- the form of Series Resolution for Issue 2019-4; and
- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2019-4 in an amount not to exceed \$75 million ("Reimbursement Resolution").

Ms. Miller indicated that staff anticipates pricing this bond issue in early November with closing in mid-December. Upon motion by Comptroller Wilson, second by Mr. Rummel, the Plan of Financing was approved and the Committee recommended the Authorizing Resolution and the Reimbursement Resolution to the Board of Directors.

Chair Hedges next recognized Wayne Beard, THDA Director of Finance, who presented the FY 2019 Investment Report. Mr. Beard referenced a memo dated September 13, 2019, from Trent Ridley, THDA Chief Financial Officer, regarding the Investment Report for the fiscal year ended June 30, 2019. Mr. Beard noted the investment rate was greater this year than last year. He also noted that the report is for informational purposes and no Committee or Board action is required.

Chair Hedges indicated the next item for consideration was the proposed FY 2021 budget (the "Proposed Budget") and recognized Joe Brown, THDA Controller, who provided the following highlights:

- Assets increased to \$3.3 billion;
- Liabilities increased to \$2.8 billion from \$2.2 billion for the fiscal year ended June 30, 2019;
- The fund balance increased to \$525 million from \$514 million for the fiscal year ended June 30, 2019;
- \$2.2 million in savings were realized for the fiscal year ended June 30, 2019 due to mortgage loan servicing being brought in-house;
- The Program Asset to Debt Ratio ("PADR") for the 2013 General Resolution at June 30, 2019, was 1.29, well above the PADR of 1.04 required by the rating agencies;
- The Proposed Budget includes an improvement for 21 additional positions for the conventional loan program, federal grants, and related administrative functions; and
- The Proposed Budget shows balanced expenditures and revenues.

There being no further business, Chair Hedges recessed the meeting until 9:45 A.M., September 24, 2019 in Chattanooga, Tennessee.

RECONVENED  
September 24, 2019

Pursuant to the call of the Chair, the Committee reconvened at 9:45 A.M., on September 24, 2019, at The Read House, Chattanooga, Tennessee. The following members were present: Michael Hedges (*Chair*), Secretary of State Tre Hargett, Ashley Fuqua (for Treasurer David Lillard), Colleen Daniels (for Commissioner Stuart McWhorter), and Katie Armstrong (for Comptroller Justin Wilson (*Secretary*)). Other Board members attending the meeting included: Dorothy Cleaves, Regina Hubbard, Chrissi Rhea, John Snodderly, and Lynn Tully.

Seeing a quorum present, Chair Hedges reconvened the meeting.

Chair Hedges noted that the Committee heard the presentation of the Proposed Budget on September 20, 2019. He acknowledged that the Audit & Budget Committee recommended approval of the Proposed Budget. Upon motion by Secretary Hargett, second by Ms. Armstrong, the Bond Finance Committee recommended approval to the Board of the Proposed Budget with authorization for staff to make any necessary adjustments in conjunction with requests from the Department of Finance & Administration.

There being no further business to come before the Committee, Chair Hedges adjourned the meeting.

Respectfully submitted,

  
Assistant Secretary

Approved the 6<sup>th</sup> day of November, 2019.

TENNESSEE HOUSING DEVELOPMENT AGENCY  
PLAN OF FINANCING  
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2019-4  
September 20, 2019

Pursuant to TCA Section 13-23-120(e)(4):

AMOUNT:

The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2019-4 (the “Bonds”), to be issued under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”).

The aggregate principal amount of the Bonds shall not exceed \$200,000,000. The actual aggregate principal amount shall be determined by the Bond Finance Committee of the THDA Board of Directors (the “Bond Finance Committee”) upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA’s Bond Counsel and may take into account the following limitations and other factors:

- (1) the amount of Bonds which may be issued pursuant to the Act and the total amount of bonds outstanding under the General Resolution; and
- (2) the amount of Bonds which may be issued to refund bonds or notes outstanding under the General Resolution, the General Homeownership Program Bond Resolution (the “1985 Resolution”); or under the General Housing Finance Resolution (the “2009 Resolution”) to provide economic savings, additional opportunities for interest rate subsidies with respect to THDA Program Loans or as a result of prepayments, proceeds on hand, excess revenues, or maturing principal; and
- (3) the amount of Bonds that may be issued, the proceeds of which are necessary to reimburse THDA for Program Loans financed from available THDA funds prior to the availability of proceeds from the Bonds; and
- (4) the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans; and
- (5) the availability of THDA’s funds, subject to the review of the Bond Finance Committee, for the purpose of providing for the payment of the costs of issuance of the Bonds, paying capitalized interest with respect to the Bonds, funding the Bond Reserve Fund, providing additional security for the Bonds, and achieving a lower rate of interest on the Program Loans; and
- (6) the amount of resources (loans and cash) available under the 1985 General Resolution to overcollateralize the Bonds, if needed, to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution.

APPLICATION  
OF PROCEEDS:

Proceeds of the Bonds will be applied to (i) redemption and payment at maturity of certain of THDA's bonds or notes outstanding under the 1985 Resolution, and/or the 2009 Resolution; (ii) finance Program Loans by the direct purchase thereof; and (ii) other uses as specified below in approximately the following amounts:

- 90% for single-family first lien mortgage loans, refinancing outstanding bonds;
- 8% for bond reserve;
- 1% for capitalized interest; and
- 1% for cost of issuance and underwriter's discount/fee.

DATE, METHOD AND  
TERMS OF SALE:

The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than December 31, 2019. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock.

MATURITIES:

The Bonds may be any combination of tax-exempt and/or taxable long and/or short term serial, term, and/or discounted or premium bonds as may be determined by the Bond Finance Committee. The Bonds shall have a maturity not to exceed 34 years from the date of original issuance.

BOND INTEREST RATES:

The interest rates on the Bonds shall be fixed long term rates and shall not result in a net interest cost in excess of 9% per annum.

REDEMPTION TERMS:

The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Bond Finance Committee.

LOAN INTEREST RATES AND  
COST OF ADMINISTRATION:

Unless otherwise permitted under the Internal Revenue Code, the blended effective interest rate on Program Loans financed with proceeds of tax-exempt Bonds (including any transferred loans upon the refunding of any outstanding bonds) will not exceed 112.5 basis points over the yield on such tax-exempt bonds, as calculated in accordance with the Internal Revenue Code, from which all of THDA's costs of administration for the Bonds may be paid.