TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
November 18, 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 Monday, November 18, 2019, at 2:00 P.M. in Conference Room G-11, State Capitol, Nashville, Tennessee. The following members were present: Michael Hedges (*Chair*), Secretary of State Tre Hargett, Kevin Bradley (for Treasurer David Lillard), Katie Armstrong (for Comptroller Justin Wilson). Colleen Daniels (for Commissioner of Finance and Administration Stuart McWhorter) participated by conference call.

Recognizing a quorum present, Chair Hedges called the meeting to order and called for consideration of the minutes from the November 6, 2019, Committee meeting. Upon motion by Kevin Bradley, second by Colleen Daniels, the minutes were unanimously approved with the following roll call vote:

Chair Hedges:	Yes
Secretary Hargett:	Yes
Mr. Bradley for Treasurer Lillard:	Yes
Ms. Daniels for Commissioner McWhorter:	Yes
Ms. Armstrong for Comptroller Wilson:	Yes

Chair Hedges then recognized Lynn Miller, THDA Chief Legal Counsel, to present the authorization of Issue 2020-1 Bonds. Ms. Miller presented the following documents that were circulated earlier for the Committee's consideration:

- a memorandum regarding Issue 2020-1 from Ms. Miller, dated November 18, 2019, that described the documents to be considered, explained how the authorization for Issue 2020-1 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 November 12, 2019, that recommended authorization of Issue 2020-1 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 Citigroup Global Markets, LLC to serve as bookrunning senior manager and for Robert W. Baird to serve as the rotating co-manager;
- the Plan of Financing for Issue 2020-1 in an aggregate principal amount not to exceed $200 million to be considered by the Committee ("Plan of Financing");
- the Resolution of the Board of Directors authorizing the issuance and sale of Issue 2020-1 under the 2013 General Resolution, and delegating authority to the Committee to determine all final terms and conditions of the Issue 2020-1 bonds ("Authorizing Resolution");
- the form of Supplemental Resolution for Issue 2020-1; and
- the Resolution of the Board of Directors authorizing reimbursement of THDA from proceeds of Issue 2020-1 in an amount not to exceed $75 million ("Reimbursement Resolution").

Ms. Miller noted that Issue 2019-4 priced on November 6, 2019 and that approximately $168 million in proceeds will be available after closing on December 11, 2019. She further noted that as of close of business on November 15, 2019, nearly $80 million was already committed against Issue 2019-4 with commitments against Issue 2020-1 to start sometime in February 2020.

Upon motion by Ms. Daniels, second by Ms. Armstrong, the Plan of Financing was approved and the Authorizing Resolution and the Reimbursement Resolution were recommended to the Board of Directors, with the following roll call vote:

Chair Hedges:	Yes
Secretary Hargett:	Yes
Mr. Bradley for Treasurer Lillard:	Yes
Ms. Daniels for Commissioner McWhorter:	Yes
Ms. Armstrong for Comptroller Wilson:	Yes

Chair Hedges recognized Ms. Miller who referenced a memo from CSG dated November 6, 2019, that contained a review of underwriter performance for calendar year 2019. She called on Tim Rittenhouse and David Jones, with CSG, who participated by conference call, to provide additional information. Mr. Rittenhouse indicated that CSG found a continuing strong performance from the group. He noted the selling group continued to shrink largely because of attrition within the industry, however, this did not detract from the overall success of the group. Mr. Rittenhouse indicated the underwriting team performed very well with each of the senior managers performing substantially better when they were the bookrunning senior manager. Mr. Rittenhouse indicated that CSG did not have any recommendations for changes to the underwriter team. He noted that CSG's expectations going forward were that volume cap would be more of a challenge and recommended that THDA develop strategies to address volume cap concerns.

Ms. Miller next reviewed her memo dated November 12, 2019, regarding the THDA statutory debt limit as required by the THDA Debt Management Policy. She noted that the statutory limit of $2,930,000,000 was established in 2008 and that the principal amount of THDA's outstanding bonds is approaching the limit. She explained that THDA staff is in discussions with the legislature to increase the statutory limit to $5,000,000,000. Ralph Perrey, Executive Director of THDA, noted that a $5,000,000,000 debt limit would provide for THDA's debt issuances through the middle of the next decade. No action was required.

Chair Hedges recognized Wayne Beard, THDA Director of Finance, who referenced his memorandum dated November 15, 2019, describing the annual update of the THDA Five-Year Financial Plan ("Plan") Mr. Beard noted that staff worked with CSG on the assumptions used to prepare the Plan. He noted the following highlights for fiscal year 2019:

- Refunded approximately $23.3 million of bonds resulting in reduced bond interest expense;
- Reduced outstanding debt that carries the State's moral obligation pledge to 6.34% of total bonds outstanding;
- Purchased over $649 million in mortgages loans;
- Maintained overall program asset to debt ratio (PADR) across all THDA general bond resolutions as of June 30, 2019 at 1.16.

He also noted that the Plan demonstrates that THDA will be able to maintain its current programs over the next five years, based on the following:

- Average annual mortgage origination production of approximately $440,000,000 with use of approximately $72,000,000 of the zero percent bond proceeds over that time;
- Reduction of the amount of THDA bonds with the State's moral obligation pledge will be reduced to approximately $50,000,000;

- Net withdrawals of approximately $164.8 million for down payment assistance for conventional loans as well as the bond program loans; $41.5 million for the Tennessee Housing Trust Fund and $24.4 million for New Start Program Loans will be made over the next five years.

No further action was required.

Chair Hedges indicated the next item for consideration was the review of the State Form CT-0253, Report on Debt Obligation (the "Report") for Issue 2019-3. He recognized Ms. Miller who explained that the Report is statutorily required to be prepared for every bond sale and must be submitted to the Board of Directors for review. She indicated the Report was filed with the Comptroller's Office on November 13, 2019, within the 45-day filing period. Ms. Miller further indicated that incorrect amounts were listed for Moody's and Standard and Poor's fees on the State Form that was circulated and filed earlier, so an amended State Form CT-0253 was filed with the Office of the Comptroller on November 15, 2019 to reflect the corrected amounts. No action was required.

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

Respectfully submitted,

Sandra Thompson

Sandra Thompson
Assistant Secretary

Approved the 28th day of January, 2020.

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2020-1
November 18, 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 2020-1 (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 <u>OF PROCEEDS:</u>	Proceeds of the Bonds will be applied to (i) 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 <u>TERMS OF SALE:</u>	The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than April 30, 2020. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock.
<u>MATURITIES:</u>	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.
<u>BOND INTEREST RATES:</u>	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.
<u>REDEMPTION TERMS:</u>	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 <u>COST OF ADMINISTRATION:</u>	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.