

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS MEETING MINUTES
July 29, 2020

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors (the "Board") met in regular session on Wednesday, July 29, 2020, via WebEx Call with certain staff members being at the THDA Offices located at 502 Deaderick Street; Andrew Jackson Building, 3rd Floor; Nashville, Tennessee 37243 in the Cades Cove Conference Room.

The following Board members were present via WebEx: Mike Hedges (Chair); Colleen Daniels (for Butch Eley, Commissioner of Finance & Administration); Secretary of State Tre Hargett; Regina Hubbard; John Krenson; Kevin Bradley (for Treasurer David Lillard); Austin McMullen; Rick Neal; Chrissi Rhea; John Snodderly; Joseph Williams; and Katie Armstrong (for Comptroller Justin Wilson).

Chair Hedges recognized Lynn Miller, Chief Legal Counsel, who read the following notice:

"Board members will be participating in this meeting by telephone as authorized by Tennessee Code Annotated Section 8-44-108. Notice was posted stating that this meeting would be conducted in this fashion. This meeting is being conducted in this manner because the matters to be considered by the Board today require timely action and the physical presence of a sufficient number of Board members to constitute a quorum is not possible within the timeframe in which action is required. Therefore, it is necessary for some members to participate via telephone. Board members participating by telephone were sent documents relevant to today's meeting."

Chair Hedges called the meeting to order. Upon motion by Mr. Snodderly, second by Mr. McMullen, and a roll call vote with all members identified as present voting "yes", motion carried that a necessity existed to conduct the meeting in this manner.

Chair Hedges called for consideration of the May 19, 2020 minutes that were previously circulated to all Board members. Upon motion by Mr. Snodderly, second by Mr. McMullen, and a roll call vote with all members identified as present voting "yes", motion carried to approve the minutes.

Chair Hedges recognized Ralph M. Perrey, Executive Director, who gave the following Executive Director's report:

- An overview of THDA's current financial position is described in a memo from Trent Ridley, Chief Financial Officer, dated July 16, 2020.
- Loan production remains well below the record pace of the last two years. The expectation is that THDA will have approximately \$450 to \$500 million in loan production for the year.
- Forbearance has increased but still accounts for less than 5% of THDA's portfolio. The current national rate of forbearance is 7.7% and the rate for FHA loans remains in double figures. Staff is gearing up to help borrowers with loan modifications as they exit forbearance.

- The delinquency rate for THDA mortgage loans has crept up due to the Coronavirus impact on the economy. Across all three General Resolutions, the percentage of loans more than 60 days delinquent increased from approximately 6.22% in February to approximately 8.51%. Loans in foreclosure still represent only .4% of the THDA portfolio.
- THDA continues to support Governor Lee's efforts to better serve Tennessee's rural counties and small towns. Several changes to the HOME program are aimed at making it easier for THDA to put those funds to work in rural areas. Housing Credit awards for 2020 included eleven awards for developments in rural counties, including the first rural *new* construction deals in almost a decade.

Chair Hedges called for consideration of the Schedule of Financing for Fiscal Year 2020-2021, included in materials circulated to Board members (the "Schedule of Financing"). He noted that the Schedule of Financing comes to the Board as a motion for approval, with a second, from the Bond Finance Committee. Upon a roll call vote with all members identified as present voting "yes", motion carried to approve the Schedule of Financing.

Chair Hedges called for consideration of Issue 2020-4. He referenced a memo from Ms. Miller dated July 14, 2020, that described the following documents that were previously circulated, regarding authorization of Issue 2020-4:

- a memorandum regarding Issue 2020-4 from Ms. Miller, dated July 14, 2020, that described the documents to be considered, explained how the authorization for Issue 2020-4 complied with THDA's Debt Management Policy, and included recommendations regarding bookrunning senior manager and rotating co-manager based on information provided in a separate memo dated July 13, 2020, by CSG Advisors incorporated ("CSG"), financial advisor for THDA;
- a separate memorandum from CSG dated July 13, 2020, that recommended authorization of Issue 2020-4 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed \$200 million, to refund certain outstanding THDA bonds, and for Citigroup Global markets Inc. to serve as bookrunning senior manager and for Robert W. Baird to serve as the rotating co-manager;
- the Plan of Financing for Issue 2020-4 in an aggregate principal amount not to exceed \$200 million that was approved by the Bond Finance Committee ("Plan of Financing");
- Resolution of the Board of Directors of the Tennessee Housing Development Agency authorizing the issuance and sale of Residential Finance Program Bonds, Issue 2020-4, that includes the form of Supplemental Resolution for Issue 2020-4 and that authorizes the referenced bond issue and delegates authority to the Authorized Officer to determine all final terms and conditions of the bonds (the "Authorizing Resolution");
- Resolution of the Board of Directors of the Tennessee Housing Development Agency authorizing reimbursement of THDA from proceeds of Issue 2020-4 in an amount not to exceed \$100,000,000 (the "Reimbursement Resolution"); and,
- the form of Supplemental Resolution for Issue 2020-4.

He explained the Bond Finance Committee approved the Plan of Financing and also recommended authorization of Issue 2020-4. He noted that the Authorizing Resolution and Reimbursement

Resolution come to the Board as a motion for approval, with a second, from the Bond Finance Committee. Upon a roll call vote with all members identified as present voting “yes”, motion carried to approve the Authorizing Resolution and Reimbursement Resolution.

Chair Hedges noted that the Bond Finance Committee reviewed volume cap projections needed for future single family loans finance with bond proceeds, and recommended that a minimum of \$450 million in 2020 volume cap be carried forward for use in future years for single family purposes, based on the assumption that THDA will receive all remaining 2020 volume cap available to the state. He noted that this recommendation came to the Board as a motion for approval, with a second, from the Bond Finance Committee. Upon a roll call vote with all members identified as present voting “yes”, motion carried to carry forward a minimum of \$450 million in 2020 volume cap for use in future years for single family purposes.

Chair Hedges then recognized Chrissi Rhea, Chair of the Lending Committee, to present single family mortgage loan income limits. Ms. Rhea noted that each year HUD adjusts income limits that affect eligibility for THDA mortgage loans. She explained that the 2020 limits are described in a memo from Dr. Hulya Arik dated July 13, 2020, and noted that the proposed income limits are higher for all but four counties – Hamblen, Humphreys, Smith and Weakley. She noted that the income limits recommended in the referenced memo are recommended by the Lending Committee and come to the Board as a motion for approval, with a second, from the Lending Committee. Upon a roll call vote with all members identified as present voting “yes”, motion carried to approve the higher income limits described in the referenced memo.

Chair Hedges recognized Ms. Rhea to present ratification of a down payment assistance loan change. Ms. Rhea referenced a memo from Lindsay Hall, Chief Operating Officer of Single Family Programs, dated June 4, 2020, that describes a reduction in the term of downpayment assistance loans from 30 years to 15 years to help THDA recoup downpayment assistance funds more quickly so they can be used to assist additional THDA borrowers. She explained that this change was put into effect along with previously approved changes to the down payment assistance program as of July 1. She noted that the Lending Committee recommended that this change be ratified and this comes to the Board as a motion, with a second, from the Lending Committee. Upon a roll call vote with all members identified as present voting “yes”, motion carried to ratify the reduction of the term of downpayment assistance loans to 15 years.

Chair Hedges then recognized Mr. Snodderly, Chair of the Tax Credit Committee, who explained that the Tax Credit Committee voted to recommend adoption of the 2021 Qualified Allocation Plan (the “QAP”) as described in a memo from Edwin King, Director of Multifamily Programs, and Don Watt, Chief Programs Officer, dated July 28, 2020. He explained that the Tax Credit Committee recommended adoption of the QAP as posted on the THDA website on June 26, 2020, with all amendments adopted by the Tax Credit Committee at its meetings on July 22, 2020 and July 28, 2020 (the “2021 QAP”), and this comes to the Board as a motion, with a second, from the Tax Credit Committee. Upon a roll call vote with ten members identified as present voting “yes”, and Mr. Krenson and Mr. McMullen abstaining, motion carried to approve the 2021 QAP.

Mr. Snodderly next explained the Tax Credit Committee recommendation to provide an additional \$41,576,975 in 2020 volume cap for the multifamily bond program based on the Bond Finance Committee recommendation for carryforward of 2020 volume cap and the underlying assumptions. Mr. Snodderly referenced a memo from Mr. Perrey dated July 14, 2020, that describes the recommendation in greater detail. He indicated that the allocation of an additional \$41,576,975 in 2020 volume cap for the multifamily bond program comes to the Board as a motion, with a second, from the Tax Credit Committee. Upon a roll call vote with ten members identified as present voting "yes", and Mr. Krenson and Mr. McMullen abstaining, motion carried to allocate an additional \$41,576,975 in 2020 volume cap for the multifamily bond program.

Chair Hedges then recognized Mr. McMullen, Chair of the Grants Committee, who referenced a memo from Cynthia Peraza, Director of Community Programs and Don Watt, Chief Program Officer, dated July 14, 2020, that describes the plan for the Low Income Home Energy Assistance Program ("LIHEAP") that must be submitted for 2021 funding. He explained that the Grants Committee recommended approval of an application to the U.S. Department of Health and Hyman Resources for the LIHEAP program year 2021 by the federal deadline of September 1, 2020, subject to review by the Board Chair, the Committee Chair, and THDA's Executive Director of any further material changes prior to submission. He noted that the recommendation comes to the Board as a motion, with a second, from the Grants Committee. Upon a roll call vote with all members identified as present voting "yes", motion carried to approve submission of an application to the U.S. Department of Health and Hyman Resources for the LIHEAP program year 2021 by the federal deadline of September 1, 2020, subject to review by the Board Chair, the Committee Chair, and THDA's Executive Director of any further material changes prior to submission.

Mr. McMullen next referenced a memo from Ms. Peraza and Mr. Watt dated July 14, 2020, that describes the HOME Bright Futures Bridge Subsidy Pilot Program. He noted that \$1.5 million in HOME funds would be allocated to no more than three non-profit organizations to provide housing for youth at risk of homelessness with an additional \$90,000 for administrative expenses. He explained that the Grants Committee recommends approval of this pilot program, as described in the referenced memo. He noted that this recommendation comes to the Board as a motion, with a second from the Grants Committee. Upon a roll call vote with all members identified as present voting "yes", motion carried to approve the HOME Bright Futures Bridge Subsidy Pilot Program, as described in the referenced memo.

Mr. McMullen next referenced a memo from Ms. Peraza and Mr. Watt dated July 14, 2020, describing changes to HOME program descriptions for 2017, 2018, 2019 and 2020, to permit HOME grant recipients to use HOME funds for manufactured housing. He explained that the Grants Committee recommended approval of this change as described in the referenced memo. He noted that this recommendation comes to the Board as a motion, with a second, from the Grants Committee. Upon a roll call vote with all members identified as present voting "yes", motion carried to permit HOME grant recipients to use HOME funds for manufactured housing under the HOME program descriptions for 2017, 2018, 2019 and 2020, as described in the referenced memo.

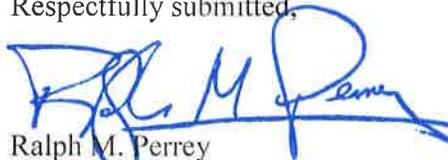
Mr. McMullen next referenced a memo from Ms. Peraza and Mr. Watt dated July 14, 2020, that recommends a \$4.5 million transfer from the Hardest Hit Fund ("HHF") administrative budget

to the HHF Blight Elimination program to extend HHF Blight Elimination program activities. He noted that this recommendation comes to the Board as a motion, with a second, from the Grants Committee. Upon a roll call vote with all members identified as present voting “yes”, motion carried to transfer \$4.5 million from the Hardest Hit Fund (“HHF”) administrative budget to the HHF Blight Elimination Program, as described in the referenced memo.

Mr. McMullen next referenced a memo from Ms. Peraza and Mr. Watt dated July 13, 2020, regarding a grant extension for the City of Bolivar that was inadvertently left off the list of extensions approved in May. He noted that this recommendation comes to the Board as a motion, with a second, from the Grants Committee. Upon a roll call vote with all members identified as present voting “yes”, motion carried to extend the 2015 – 2016 HOME grant for the City of Bolivar to June 30, 2021.

With no further business to address, the meeting was adjourned.

Respectfully submitted,



Ralph M. Perrey
Executive Director

Approved this 22nd day of September, 2020