



**Tennessee Housing Development Agency -
Board of Directors**

**Committee and Board Meeting Materials
January 24, 2023**



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors
FROM: Ralph M. Perrey, Executive Director
SUBJECT: January Committee and Board Meetings
DATE: January 9, 2023

THDA Board Members –

We look forward to seeing you at our first board meeting of 2023. We will convene at 10am in the Tennessee room #2 of the Tennessee Tower and anticipate concluding by Noon. Please welcome our newest Board Member, Jacky Akbari.

As we did in November, we will open the meeting with a presentation about one of THDA's program responsibilities, this time featuring the Housing Choice Voucher Program. THDA administers vouchers in over 70 counties. Rental Assistance Director Jeboria Scott and Assistant Director Marquisha Griffin will provide an overview of our work and will be glad to entertain your questions.

Several action items await your review this month:

- CFO Trent Ridley will present THDA's updated Five Year Strategic Financial Plan. The plan reflects our best judgment on future mortgage loan production, use of bond authority, debt to asset ratio (PADR), among other measures. I encourage you to review it in advance of the meeting.
- Grants Committee will review three program descriptions for the coming year, including two new ones – The ERA Eviction Prevention program and HOME-ARP. We propose to redirect some of the Emergency Rental Assistance funds to support eviction prevention efforts across the state. HOME-ARP provides federal funds to assist supportive housing efforts. Both are detailed in your board packet. Grants Committee will also take up the 2023 National Housing Trust Fund program description and at least one grant extension request.
- The Rental Assistance Committee will be asked to approve THDA's recommendation to drop the Homeownership Option from our Housing Choice Voucher program. While well-intentioned, this aspect of the voucher program is seldom utilized. We believe the staff effort devoted to it can be better utilized elsewhere in Rental Assistance.
- The 2023 Housing Cost Index will be reviewed by Lending Committee. This is an annual exercise, establishing that housing costs remain such as to justify the continued work of THDA.

Finally, a reminder that the 2023 Tennessee Housing Conference will convene in Nashville February 28-March 1. If you wish to attend, please contact Executive Coordinator Britny Booth, who can assist with registration and logistics.



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Bill Lee
Governor

Ralph M. Perrey
Executive Director

THDA Board of Directors Committee Meetings Agendas

Tuesday, January 24, 2023 at 10 AM CST
Tennessee Room #2, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

SPECIAL PRESENTATION

“THDA’s Housing Choice Voucher Program”

By Don Watt, Chief Programs Officer

Jeboria Scott, Director of Section 8 Rental Assistance

Marquisha Griffin, Assistant Director of Section 8 Rental Assistance

COMMITTEE AGENDAS

BOND FINANCE COMMITTEE

A. Approval of Minutes from November 15, 2022 meeting

B. Action Item

1. Five Year Strategic Financial Plan

GRANTS COMMITTEE

A. Approval of Minutes from November 15, 2022 meeting

B. Action Items

1. 2023 National Housing Trust Fund Program Description
2. ERA Eviction Prevention Program Description
3. 2023 HOME ARP Supportive Services Program Description
4. Grant Extension Request for NHTF, THTF Competitive Grants, CHI-2



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LENDING COMMITTEE

A. Approval of Minutes from May 24, 2022 meeting

B. Action Item

1. 2023 Housing Cost Index and Resolution

RENTAL ASSISTANCE COMMITTEE

C. Approval of Minutes from September 27, 2022 meeting

D. Action Item

1. Homeownership Option Voucher Program



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THDA Board of Directors Board Meeting Agenda
Tuesday, January 24, 2023 at 1030 AM CST
Tennessee Room #2, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

- A. Approval of Minutes from November 15, 2022 meeting**
- B. Executive Director's Report**
- C. Board Action Items**
 - 1. Five Year Strategic Financial Plan
 - 2. 2023 National Housing Trust Fund Program Description
 - 3. ERA Eviction Prevention Program Description
 - 4. 2023 HOME ARP Supportive Services Program Description
 - 5. Grant Extension Request for NHTF, THTF Competitive Grants, CHI-2
 - 6. 2023 Housing Cost Index and Resolution
 - 7. Homeownership Option Voucher Program



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Board of Directors Meeting



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

THDA Board of Directors Meeting Agenda

Tuesday, January 24, 2023 at 1030 AM CT
Tennessee Room #2, Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

- A. Approval of Minutes from November 15, 2022 meeting
- B. Executive Director's Report
- C. Board Action Items
 - 1. Five Year Strategic Financial Plan
 - 2. 2023 National Housing Trust Fund Program Description
 - 3. ERA Eviction Prevention Program Description
 - 4. 2023 HOME ARP Supportive Services Program Description
 - 5. Grant Extension Request for NHTF, THTF Competitive Grants, CHI-2
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 - 7. Homeownership Option Voucher Program



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TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS MEETING MINUTES
November 15, 2022

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency (THDA) Board of Directors (the “Board”) met in regular session on Tuesday, November 15, 2022, at 11:01 AM CT in Tennessee Room #2 of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following board members were present in person: Chair Matt McGauley, Rick Neal, Sara Queirolo (for Treasurer David Lillard), Alex Schuhmann (for Commissioner of F&A Jim Bryson), Rob Mitchell, Katie Armstrong (for Comptroller Jason Mumpower), Tennion Reed, Chrissi Rhea, John Snodderly, and Todd Skelton. Those absent were: Secretary of State Tre Hargett, Austin McMullen, and Dan Springer.

Chair McGauley called the Board meeting to order and asked for consideration of the September 27, 2022, meeting minutes. Upon motion by Mr. Neal and a second by Mr. Snodderly, the motion carried and the minutes were approved.

Chair McGauley then recognized Executive Director Ralph M. Perrey for his report. Mr. Perrey shared that:

- The registration for the 2023 Tennessee Housing Conference is open on-line. Board members interested in attending should contact his office for more information.
- THDA will close the COVID-19 Rent Relief portal to new applications on January 6, 2023. No applications will be accepted after 5pm central time on that date. All applications in the system will be processed. Those receiving payments will continue to receive them for the period they remain eligible and funds remain available.
- Recognizing that there remain Tennesseans at risk of eviction, THDA intends to use some of the repurposed ERA funds to support eviction prevention efforts across the state.
- THDA also proposes to use some of the repurposed ERA funds to support development of housing affordable to those earning 50% of the Area Median Income or less.
- The Tennessee Department of Human Resources is undertaking a salary survey that will likely be the basis for market-based salary adjustments for state employees covered by the TEAM Act. THDA is NOT included in that, but the THDA HR staff will be comparing the state’s results and matching them against comparable THDA positions. We are also undertaking our own salary survey for jobs unique to THDA. We expect to make salary adjustments in line with those approved by the Lee Administration.

At the conclusion of Mr. Perrey’s remarks, Chair McGauley turned to Annual Business items and made a motion nominating Mr. Rick Neal to serve as Vice Chair of the THDA Board of Directors. Mr. McGauley asked for any other nominations. No other nominations were made.

Upon motion by Mr. McGauley and a second by Mr. Snodderly the motion for Rick Neal to serve as Vice Chair of the THDA Board of Directors was carried, with one abstention – Mr. Neal.

Mr. McGauley then shared the committee assignments for the next year with board members. Changes included Secretary Hargett taking over as Chair for the Audit and Budget Committee; Dan Springer added to Rental Assistance and Tax Credit Committees; and removing Todd Skelton from the Rental Assistance Committee.

Mr. McGauley then asked the Board for a motion to approve the 2023 THDA Board of Directors meeting dates found in the board materials. Upon motion by Ms. Rhea and a second by Mr. Neal the motion to approve the 2023 THDA Board Meeting dates was carried.

Mr. McGauley next asked Mr. Bruce Balcom, Chief Legal Counsel to briefly walk the board members through the purpose, contents and online location of the Official Statement, which is a part of each Bond Sale.

The last annual item was an Information Security Update by Ms. Nicole Lucas, Senior Director of the Information Technology Division. The update highlighted the materials in the board packet, including an unsuccessful penetration test by an outside agency.

Moving to items requiring action by the full Board, Mr. McGauley presented a motion and a second from the Audit and Budget Committee to approve an Advanced Rating and the associated pay increase and bonus associated with that rating as of January 1, 2023 for Mr. Ralph Perrey's Annual Evaluation. Upon vote from the full Board, the motion was carried.

Mr. McGauley then presented a motion and a second from the Bond Finance Committee to approve Bond Issue 2023-1 as presented committee and outlined in the board materials. Upon vote from the full Board, the motion was carried.

Next, Mr. McGauley presented a motion and a second from the Bond Finance Committee to approve a one-year extension of the CSG Contract as presented committee and outlined in the board materials. Upon vote from the full Board, the motion was carried.

On behalf of the Grants Committee, Mr. McGauley presented a motion and a second to approve the

- ❖ 2023 Emergency Solutions Grants Program Description
- ❖ 2023 HOME Rural/Urban Program Description
- ❖ Grant Extension Request-Gallatin Housing Authority-THTF 19S-03

Upon vote from the full Board, the motion was carried.

Mr. McGauley then called upon Mr. Snodderly for any action items from the Tax Credit Committee. Mr. Snodderly presented a motion and a second from the Tax Credit Committee to approve the 2023 Multifamily Tax Exempt Bond Allocation Program Description. Upon vote from the full Board, the motion carried.

Mr. Snodderly then presented a motion and a second from the Tax Credit Committee to approve the 22-801 Purdy Place Exchange Request. Upon vote from the full Board, with one abstention – Mr. Neal, the motion carried.

With no further business, the meeting was adjourned at 11:27 AM CT.

Respectfully submitted,

Ralph M. Perrey
Executive Director

Approved this 24th of January, 2023

Draft



Bond Finance Committee



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

Bond Finance Committee Meeting Agenda

Tuesday, January 24, 2023 at 1000 AM CST
Tennessee Room #2 – Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

A. Approval of Minutes from November 15, 2022 meeting

B. Action Item

1. Five Year Strategic Financial Plan

Committee Members:

Matt McGauley (Chair)
Commissioner Jim Bryson
Secretary Tre Hargett
Treasurer David Lillard
Comptroller Jason Mumpower



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TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
November 15, 2022

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met on Tuesday, November 15, 2022, at 10:30 AM CT at the William R. Snodgrass Tennessee Tower, Tennessee Room 2, 312 Rosa Parks Blvd; Nashville, TN 37243.

The following Committee members were present in person: Mathew McGauley (Board Chair); Sara Quierolo (for Treasurer David Lillard); Alex Schuhmann (for Commissioner Jim Bryson); and Katie Armstrong (for Comptroller Jason Mumpower) Other Board Members present were: Austin McMullen; Robert Mitchell; John K. Snodderly; Todd Skelton; Tennion Reed; Rick Neal; and Chrissi Rhea.

Recognizing a quorum present, Chair McGauley called the meeting to order at 10:10 a.m. Central Time. For the first order of business, Chair McGauley called for consideration and approval of the September 27, 2022, Bond Finance Committee Meeting Minutes. Upon motion by Mr. Schuhmann, second by Ms. Quierolo, and following a vote with all members identified as present voting “yes”, the motion carried to approve the September 27, 2022, minutes.

Chair McGauley indicated the next item for consideration was the Bond Issue 2023-1 for our consideration and approval of the Plan of Financing, the Authorizing Resolution, including the form of Supplemental Resolution and the Reimbursement Resolution. Bruce Balcom, THDA Chief Legal Counsel, described the documents to be considered, explained how the authorization for Bond Issue 2023-1, in an amount not to exceed \$200,000,000, 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 October 31 2022, by CSG Advisors incorporated ("CSG"), financial advisor for THDA. Mr. Balcom also noted that THDA plans to issue taxable bonds for use to fund conventional loans as part of Bond Issue 2023-1. It was also noted by Mr. Schuhmann, there was a clerical error on the memo from THDA Chief Legal Counsel, Bruce Balcom in Part VII that contained outdated language stating “the bill currently on the Governor’s desk is not vetoed” be stricken because it is outdated and invalid . Upon motion by Ms. Armstrong, second by Mr. Schuhmann and a vote with all members identified as present voting “yes”, the motion carried to approve the plan of financing, and to recommend approval of the remaining documents including the Authorizing Resolution as amended.

Chair McGauley recognized Mr. Bruce Balcom, THDA Chief Legal Counsel, to present on the CSG Contract extension for the Committee’s consideration. Chair McGauley asked if there were any questions regarding the proposed one-year contract extension. Seeing no further discussion, Chair McGauley called for a vote to approve the one-year CSG contract extension. Upon motion by Mr. Schuhmann, second by Ms. Queirolo and a vote with all members identified as present voting “yes”, the motion carried to approve the one-year CSG Contract Extension

There being no further business, Chair McGauley adjourned the meeting at 10:36 AM CT.

Respectfully submitted,

Sandi Thompson,
Assistant Secretary
Approved this 24rd day of January, 2023



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

TO: THDA Bond Finance Committee
THDA Board of Directors

FROM: Trent Ridley, Chief Financial Officer
Wayne Beard, Director of Finance

SUBJECT: FY22-27 Five Year Financial Plan

DATE: January 6, 2023

Attached is THDA's FY22-26 Five Year Strategic Financial Plan (Plan). The Plan is developed using guiding principles established in our enabling legislation as well as objectives established in our Debt Management Policy approved by the Board on November 29, 2011. The main objective of the Plan is to effectively balance the use of our financial resources to fund mortgage programs and other initiatives that fulfill our statutory purpose without compromising our financial strength or credit ratings.

The Plan anticipates \$2.72 billion in Single Family loan business over the next five years funded with \$1.56 billion Mortgage Revenue Bonds and \$1.16 billion Capital Markets Sales. All future bond issuance will be under the 2013 General Resolution, which does not carry the "moral obligation" of the State. Total net withdrawals are anticipated to be \$207.2 million to fund costs related to bond issuance, lender compensation, downpayment assistance, THDA operations, and other Board-approved initiatives (Housing Trust Fund, New Start Loans). Considering these withdrawals, the Plan projects an overall Weighted Average PADR above 1.12 by 2027, a maximum outstanding debt of \$2.88 billion (\$4.0 billion statutory debt limit), and a \$334.8 million fund balance, while maintaining the \$25 million set aside required by the Bond Finance Committee.

We engaged the services of our financial advisor, CSG Advisors, to provide the various scenarios, analyses, input, and graphs to ensure the plan is viable according to industry methodologies. If you have any questions regarding the Plan or if you would like more information, please do not hesitate to call me at (615) 815-2012 or contact me via e-mail at tridley@thda.org.



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Tennessee Housing Development Agency

Five Year Strategic Financial Plan Summary

FY 2023 – FY 2027

Guiding Principles:

Statutory Purpose (TCA 13-23-101)

- To promote the production of more affordable new housing units for very low, low and moderate income individuals and families in the state,
- To promote the preservation and rehabilitation of existing housing units for such persons, and
- To bring greater stability to the residential construction industry and related industries so as to assure a steady flow of production of new housing units.

Long Term Financial Objectives:

As indicated in THDA's Debt Management Policy – Section IV “Long Term Financial Objectives”, THDA has made a commitment to effectively balance the use of our financial resources to fund mortgage programs and other initiatives that fulfill our statutory purpose without compromising our financial strength or credit ratings assigned by Standard & Poors and Moody's. The Five Year Strategic Financial Plan (Plan) is intended to show the potential impact THDA's decisions, relative to the use of our resources, may have on our financial position, given a set of assumptions. It should be noted that the Five Year Financial Plan is a liquidity analysis tool used by management for decision-making purposes. Thus, this plan should not be used for external financial reporting purposes.

Summary Production and Program Withdrawals

Liquidity needs are based on the assumption that total homeownership production for Whole Loans, Ginnie Mae, Freddie Mac, and Fannie Mae grows from \$425 million in FY23 to \$638 million in FY27. It is anticipated that 80% of production will be securitized into MBS by 2025. Liquidity assumptions for the housing trust fund total \$37.5 million. New Start mortgage liquidity needs are estimated to be \$20.6 million (\$25 million less \$4.4 million of New Start recoveries). THDA withdrawals for MRB DPA loans total \$29.9 million (\$76.1 million funded less \$46.2 million of DPA recoveries). Lender compensation for MRB loans is estimated to be \$27.3 million over the next five years. It should be noted that DPA (\$49.0 million) and Lender Compensation (\$20.2 million) for MBS loans are included in Conventional Loan Product Net Cash Outlay of \$53.9 million.

Financial Results

Cash & Investment Composition (1974, 2009, and 2013 Resolutions)

This slide shows the composition of our cash and investments after planned withdrawals and uses. Overall total cash and investments are projected to slightly increase from approximately \$198 million in 2023 to approximately \$203 million in 2027. Remaining Liquidity is projected to increase from \$68 million to \$101 million by 2027.

Remaining Liquidity (1974, 1985, 2009, and 2013 Resolutions)

Remaining Liquidity represents a further breakdown of cash and investments remaining by Bond Resolution after considering the loan loss reserve required by the rating agencies, \$25 million BFC requirement, mortgage repays and prepays (for bond calls), bond reserve requirements, and program withdrawals. Of the \$101 million in remaining liquidity at June 30, 2027, \$91.7 million is projected to reside in the 2013 Resolution.

Balance Sheet Measurements (1974, 2009, and 2013 Resolutions)

Balance Sheet Measurements show that, at assumed production levels and uses of liquidity total, debt outstanding is projected to be less than THDA's Statutory Debt Limit of \$4.0 billion, ending at approximately \$2.71 billion by 2027. The overall Weighted Average Program Asset to Debt Ratios (PADR) for THDA ranges from 1.15 in 2023 to 1.12 in 2027. The PADR for the 13 Resolution remains above levels required by Rating Agencies, with a projected PADR of 1.11. The 13 Resolution maintains a healthy fund balance of \$295 million in 2027, which is vital to maintaining a strong PADR for lower cost of funds.

Detailed Assumptions

In addition to the assumptions included on the Summary of New Production and Program Withdrawals, other assumptions for each bond resolution are listed separately. Some of the additional assumptions include, but are not limited to, (1) \$25 million BFC set-aside is available each year, (2) cashflow scenarios assume a 150% PSA based on historical prepayment speeds, (3) reinvestment rates of 3.00% in 2023 and 4.00% thereafter, and (4) debt service reserve investment rates of 1.50% in 2023 and 2.00% thereafter.

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUMMARY OF NEW PRODUCTION AND PROGRAM WITHDRAWALS
EXPECTED BOND VOLUME
STRATEGIC FINANCIAL PLAN: 2023 - 2027
150% PSA

Fiscal Year Ending June 30

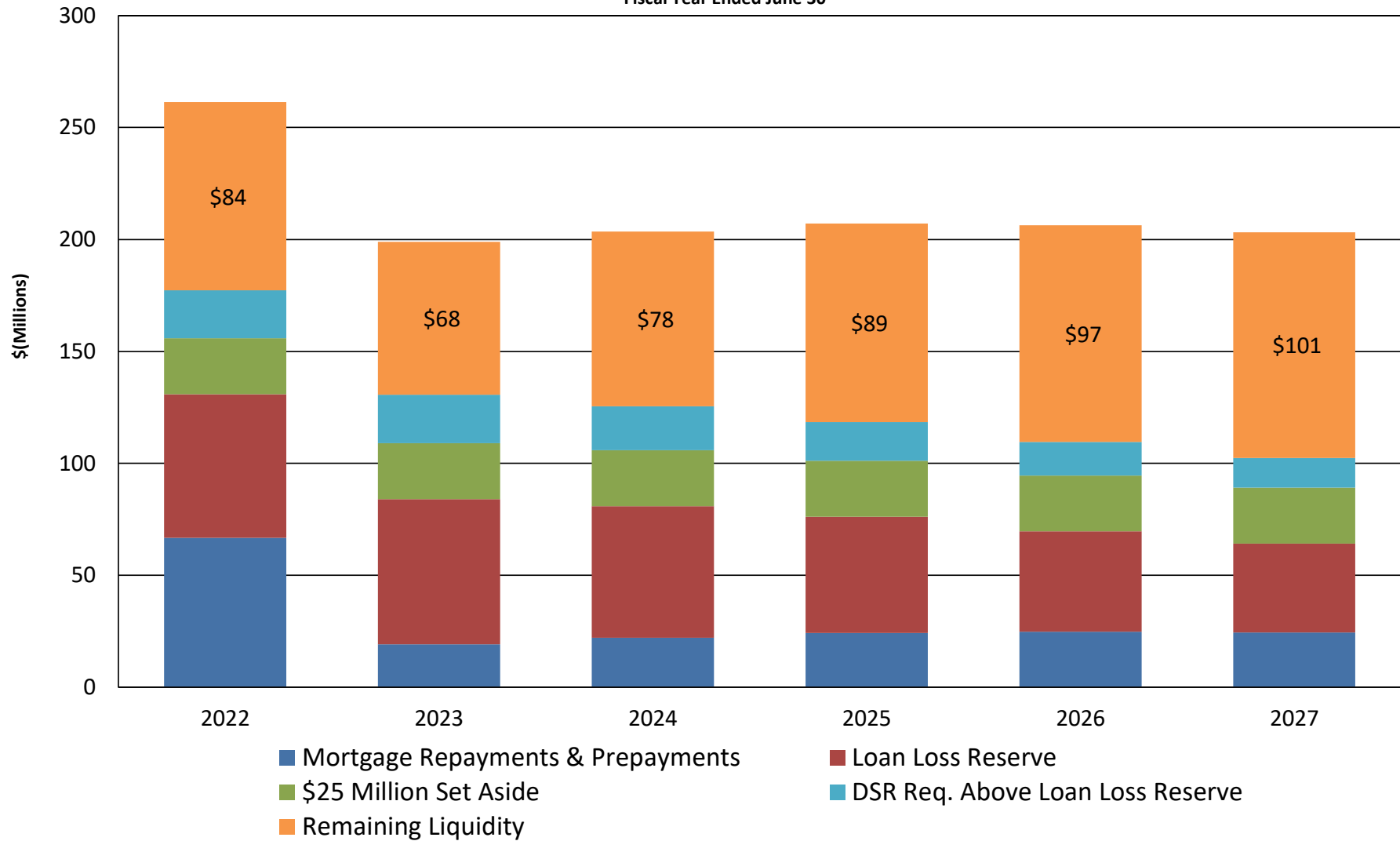
	2023	2024	2025	2026	2027	Total
HOMEOWNERSHIP PRODUCTION:						
Whole Loans	381,000,000	380,000,000	112,000,000	120,000,000	128,000,000	1,121,000,000
Ginnie Mae	29,000,000	58,000,000	356,000,000	380,000,000	406,000,000	1,229,000,000
Freddie Mac	15,000,000	30,000,000	32,000,000	34,000,000	36,000,000	147,000,000
Fannie Mae	0	30,000,000	60,000,000	64,000,000	68,000,000	222,000,000
Total Homeownership Production	425,000,000	498,000,000	560,000,000	598,000,000	638,000,000	2,719,000,000
HOMEOWNERSHIP EXECUTION:						
Mortgage Revenue Bonds	403,000,000	439,000,000	240,000,000	240,000,000	240,000,000	1,562,000,000
Capital Markets MBS Sales	22,000,000	59,000,000	320,000,000	358,000,000	398,000,000	1,157,000,000
Total Homeownership Execution	425,000,000	498,000,000	560,000,000	598,000,000	638,000,000	2,719,000,000
MORTGAGE REVENUE BOND ISSUANCE:						
Total Bonds Issued	\$372,960,000	\$409,000,000	\$240,000,000	\$240,000,000	\$240,000,000	\$1,501,960,000
Zero Participation Loans from Prior Bond Deals	83,950,000	53,910,000	23,910,000	0	0	161,770,000
Zero Participation Proceeds - Future Production	(53,910,000)	(23,910,000)	(23,910,000)	0	0	(101,730,000)
Less Refunding Bonds	0	0	0	0	0	-
Total Funds Available for Production	\$403,000,000	\$439,000,000	\$240,000,000	\$240,000,000	\$240,000,000	\$1,562,000,000
PROGRAM WITHDRAWALS AND USES:						
Bond Reserve Fund	\$4,074,916	\$0	\$0	\$0	\$0	\$4,074,916
Underwriters' Fees	2,479,200	2,390,000	1,400,000	1,400,000	1,400,000	\$9,069,200
Cost of Issuance	788,800	759,900	759,900	759,900	759,900	\$3,828,400
Capitalized Interest ⁽³⁾	2,297,150	2,454,000	1,440,000	1,440,000	1,440,000	\$9,071,150
Less: Bond Premium ⁽¹⁾⁽²⁾	(8,550,660)	(11,166,000)	(6,552,000)	(6,552,000)	(6,552,000)	(\$39,372,660)
Lender Compensation	7,052,500	7,682,500	4,200,000	4,200,000	4,200,000	\$27,335,000
Downpayment Assistance	19,600,000	21,400,000	11,700,000	11,700,000	11,700,000	\$76,100,000
Less: 2013 DPA Loan Recoveries	(6,431,492)	(8,128,348)	(9,624,515)	(10,641,853)	(11,389,085)	(\$46,215,294)
Net Downpayment Assistance	13,168,508	13,271,652	2,075,485	1,058,147	310,915	\$29,884,706
THDA Operating Expenses	11,000,000	11,330,000	11,670,000	12,020,000	12,381,000	\$58,401,000
Housing Trust Fund	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	\$37,500,000
New Start Loans (for future production)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	\$25,000,000
Less: Future New Start Loan Recoveries	(81,044)	(381,963)	(829,320)	(1,317,694)	(1,755,166)	(\$4,365,188)
Housing Trust Fund / New Start Loans	12,418,956	12,118,037	11,670,680	11,182,306	10,744,834	\$58,134,812
Servicing Net Cash Outlays / (Receipts)	(575,466)	(713,132)	(3,414,016)	(4,161,427)	(4,949,124)	(\$13,813,165)
Conventional Loan Net Cash Outlays / (Receipts)	1,530,247	3,292,725	16,037,240	16,552,473	16,530,761	\$53,943,445
Net Servicing / Conventional Loan	954,781	2,579,593	12,623,224	12,391,046	11,581,637	\$40,130,281
Program Compliance Reserve	1,046,000	1,046,000	1,046,000	1,046,000	1,046,000	\$5,230,000
Funds for GNMA Buyouts (0.75%)	163,475	423,219	301,153	269,533	239,547	\$1,396,927
Total Program Withdrawals and Uses of Cash	\$46,893,625	\$42,888,900	\$40,634,441	\$39,214,931	\$37,551,833	\$207,183,732

Assumptions:

- Bond premium on new issues used to offset THDA's costs of issuance, underwriter fees and capitalized interest.
- Bond premium generated on each new issue was assumed to equal 2.73% of the bond issuance par amount.
(assumes PACs raise 2.73% of premium as a % of the par bonds issued FY 2021 and after.)
- Capitalized interest, costs of issuance and underwriter fees were assumed to equal 1.5% to 1.6% of the bond issuance par amount.

**1974, 2009 & 2013 Resolutions
Consolidated Cash & Investment Composition
150% PSA**

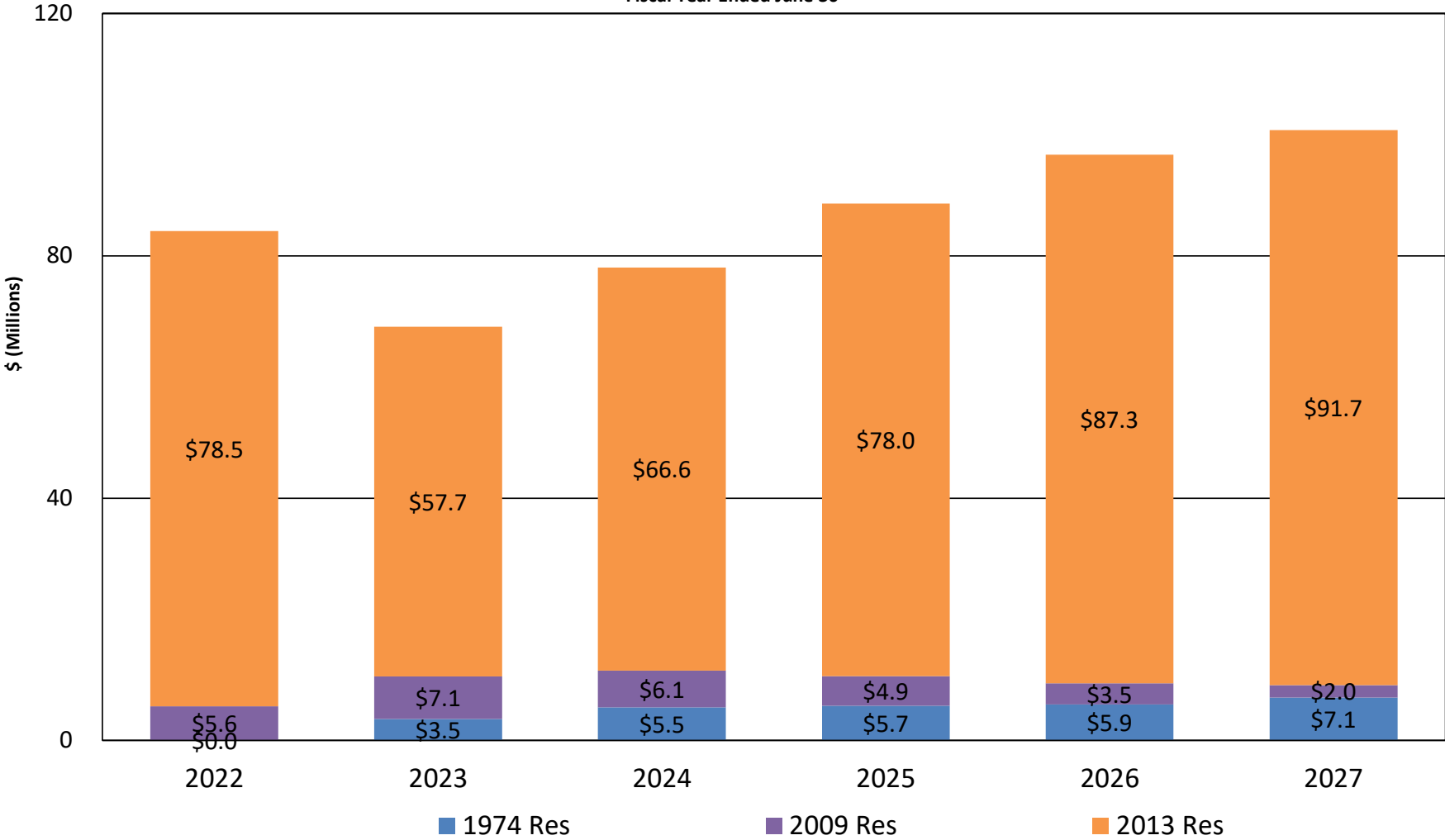
Fiscal Year Ended June 30



- Excluding Acquisition Funds held for the purchase of future loan originations.

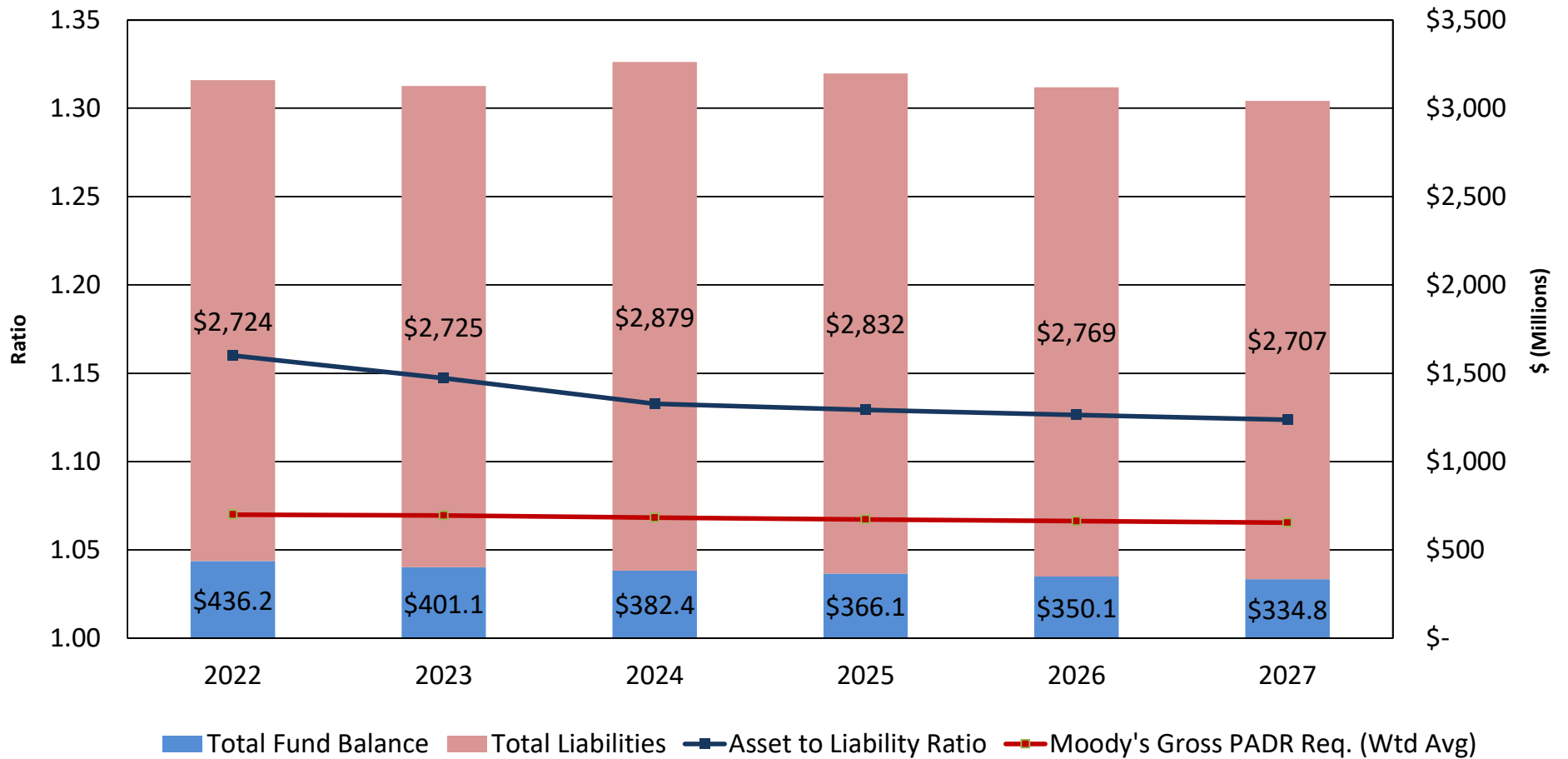
**1974, 2009 & 2013 Resolutions
Consolidated Remaining Liquidity
150% PSA**

Fiscal Year Ended June 30



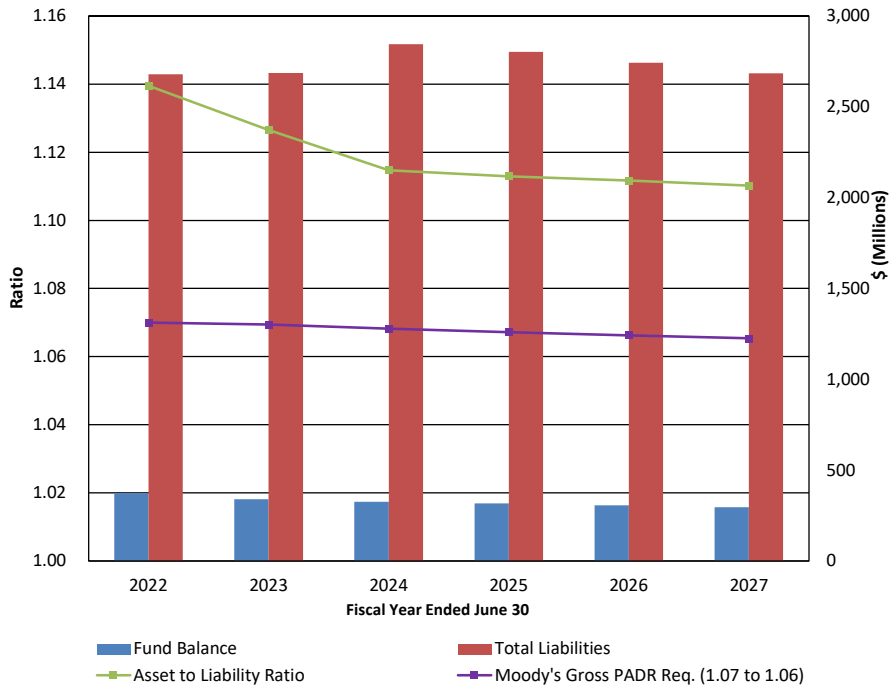
- Excluding Acquisition Funds held for the purchase of future loan originations.

**1974, 2009 & 2013 Resolutions
Balance Sheet Measurements
150% PSA
Fiscal Year Ended June 30**

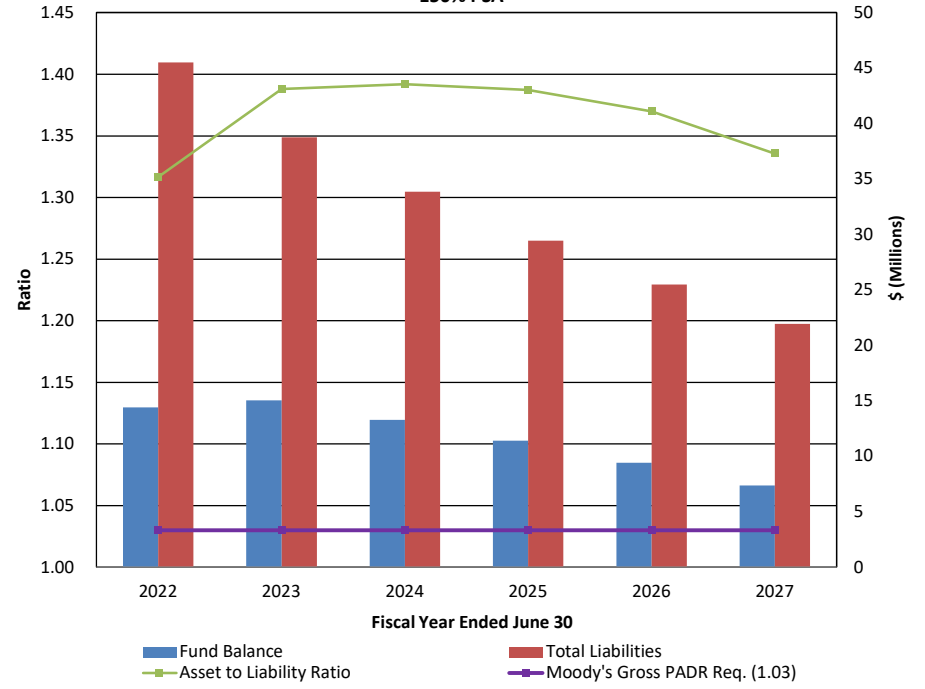


- Moody's Gross PADR Requirement represents the minimum PADR inclusive of Loan Loss Reserve requirements as determined by Moody's based on the percentage of loan insured (FHA, VA, RD, PMI). Assumes a 1.07 PADR requirement for whole loans, and a 1.00 requirement for MBS (GNMAs).
- Assets and Fund Balance exclude existing Plus DPA 2nd Mortgage Loans as well as \$76 million of future originations during forecast period.

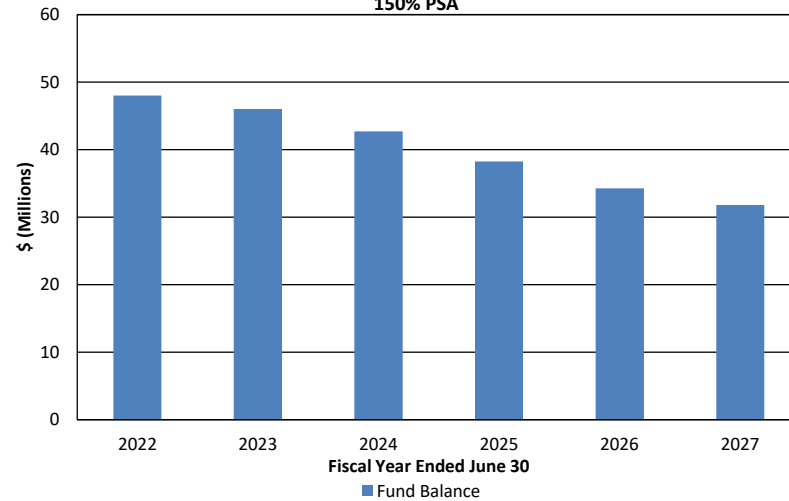
2013 Resolution
Balance Sheet Measurements
150% PSA



2009 Resolution
Balance Sheet Measurements
150% PSA



1974 Resolution
Balance Sheet Measurements
150% PSA



TENNESSEE HOUSING DEVELOPMENT AGENCY CASH FLOW ASSUMPTIONS

Mortgage Finance Program Bonds (1974 Resolution)

Prepayment Speeds on all Mortgage Loans

-Expected Prepayment Scenario:	150% PSA
-Slow Prepayment Scenario:	75% PSA
-Fast Prepayment Scenario:	300% PSA

Reinvestment Rates

-3.00% investment rate through FY 2023, 4.00% in FY 2024, and 3.50% thereafter

Surplus Revenues

-available to pay future debt service and/or to fund future program withdrawals

Additional Assumptions

- all loan and investment balances as of July 1, 2022 are derived from the June 30, 2022 audited financials
- cash and investments that is restricted for prior year program allocations are not included
- no new bond issuance under the Resolution
- multifamily loans excluded
- Future originations of New Start Loans are not included as assets of the Resolution.

TENNESSEE HOUSING DEVELOPMENT AGENCY

CASH FLOW ASSUMPTIONS

Housing Finance Program Bonds (2009 Resolution)

Prepayment Speeds on all Mortgage Loans

-Expected Prepayment Scenario:	150% PSA
-Slow Prepayment Scenario:	75% PSA
-Fast Prepayment Scenario:	300% PSA

Reinvestment Rates

-3.00% investment rate through FY 2023, 4.00% in FY 2024, and 3.50% thereafter

Bond Redemptions

- modeled semi-annually
- principal recoveries used to redeem bonds pro-rata in accordance with PAC/Supersinker redemption requirements

Surplus Revenues

-available to pay future debt service and/or to fund future program withdrawals subject to NIBP requirements

Bond Reserve Requirement

- THDA Reserve Requirement is 3% of outstanding Program Loans plus amounts on deposit in the Loan Fund
- 0.75% investment rate through FY 2023, 1.25% thereafter

Additional Assumptions

- all loan and investment balances as of July 1, 2022 are derived from the June 30, 2022 audited financials
- no new bond issuance under the Resolution
- excess revenues not used to redeem bonds
- DPA reimbursement & agency fees were transferred to the 2013 Resolution
- Resolution rated Aa2
- asset to liability ratio maintenance of 103% (Moody's PADR requirement of 102% + 1% for loan loss)

TENNESSEE HOUSING DEVELOPMENT AGENCY

CASH FLOW ASSUMPTIONS

Residential Finance Program Bonds (2013 Resolution)

Prepayment Speeds on all Mortgage Loans

-Expected Prepayment Scenario:	150% PSA
-Slow Prepayment Scenario:	75% PSA
-Fast Prepayment Scenario:	300% PSA

Reinvestment Rates

-3.00% investment rate through FY 2023, 4.00% in FY 2024, and 3.50% thereafter

Debt Service Reserve Fund

-1.5% investment rate through FY 2023, 2.00% in FY 2024, 2.50% in FY 2025, 3.50% thereafter

Bond Redemptions

- modeled semi-annually
- principal recoveries used to redeem bonds pro-rata in accordance with PAC/Supersinker redemption requirements

25MM Asset Set-Aside

- \$25mm set-aside is required by the Bond Finance Committee
- \$25mm is set aside in the 2013 Resolution from FY 2022 through FY 2027.
- funded from cash in the revenue fund and from excess long term investments

Bond Reserve Fund-Future Bond Issuances

- 3.50% investment rate through FY 2023 and thereafter
- THDA Reserve Requirement is 3% of outstanding Program Loans plus amounts on deposit in the Loan Fund
(GNMA MBS are not consider Program Loans for purposes of 2013 Bond Reserves.)

New Mortgage Loan Mix (FY 2023 and beyond)

-Great Choice (and Vet) w/ 2nd	97.5%
-Great Choice (and Vet) without 2nd	2.5%
	<hr/>
	100.0%

- 74% of loans assumed to use amortizing Plus downpayment assistance 2nd mortgage, with 26% assumed to use 0% deferred Plus downpayment assistance 2nd mortgage.

Additional Assumptions

- all loan and investment balances as of July 1, 2022 are derived from the June 30, 2022 audited financials
- all new bond issuance assumed in 2013 Resolution (see Summary of New Production)
- future downpayment assistance loans assumed originated from the 2013 Resolution
- future originations of New Start Loans are not included as assets of the Resolution.
- excess revenues not used to redeem bonds
- mortgage rates for new bond issues were set at rates necessary to earn 1.00% yield spread
- Resolution rated 'Aa1' and 'AA+'
- asset to liability ratio maintenance based on the composition of whole loans and GNMA's:
 - 107% for whole loans (Moody's PADR requirement of 104% + 3% for loan loss), and
 - 100% for GNMA MBS



Grants Committee



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

Grants Committee Meeting Agenda

Tuesday, January 24, 2023 at 1005 AM CST
Tennessee Room #2 – Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

A. Approval of Minutes from November 15, 2022 meeting

B. Action Items

1. 2023 National Housing Trust Fund Program Description
2. ERA Eviction Prevention Program Description
3. 2023 HOME ARP Supportive Services Program Description
4. Grant Extension Request for NHTF, THTF Competitive Grants, CHI-2

Committee Members:

Austin McMullen (Chair)
Secretary Tre Hargett
Comptroller Jason Mumpower
Rick Neal
Tennion Reed



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TENNESSEE HOUSING DEVELOPMENT AGENCY
GRANTS COMMITTEE MEETING MINUTES
November 15, 2022

Pursuant to the call of the Chairman, the Grants Committee (the “Committee”) of the Tennessee Housing Development Agency (THDA) Board of Directors (the “Board”) met in regular session on Tuesday, November 15, 2022, at 10:36 AM CT in Tennessee Room #2 of William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following committee members were present in person: Chair Austin McMullen, Katie Armstrong for Comptroller Jason Mumpower, Tennion Reed and Rick Neal. Those absent were: Secretary of State Tre Hargett.

Recognizing a quorum present, Chair McMullen called the Grants Committee meeting to order and asked for consideration of the September 27, 2022, meeting minutes. Upon motion by Mr. Neal and a second by Ms. Reed the motion carried and the minutes were approved.

Chair McMullen recognized Cynthia Peraza, Director of Community Programs, to present the 2023 Emergency Solutions Grants Program Description as outlined in the memo of the same name dated October 7, 2022, from herself and Don Watt, found in the board packet. Ms. Peraza highlighted the decrease in maximum grant amount, as well as the addition of a Tie Breaker to the Application Review Process in this Program Description. Upon motion by Mr. Neal and a second by Ms. Reed the motion to approve the 2023 Emergency Solutions Grants Program Description was carried

Chair McMullen recognized Cynthia Peraza, Director of Community Programs, to present the 2023 HOME Rural/Urban Program Description, as outlined in the memo of the same name dated October 7, 2022, from herself and Don Watt, found in the board packet. Ms. Peraza highlighted the increase to the maximum grant amount, the reduction in Prior Year Unexpended HOME funds deduction, as well as the inability to use funds for Down Payment Assistance in this Program Description. Upon motion by Mr. Neal and a second by Ms. Reed the motion to approve the 2023 HOME Urban/Rural Program Description was carried

Chair McMullen recognized Cynthia Peraza, Director of Community Programs, to present the Tennessee Housing Trust Fund (THTF) Competitive Grants Program Grant Extension Request from the Gallatin Housing Authority, as outlined in the memo of the same name dated October 14, 2022, from herself and Don Watt, found in the board packet. Ms. Peraza highlighted that due to circumstance beyond the Housing Authorities control, they requested a 9 month extension under the terms of the \$500,000 Competitive Grant they had received under the 2019 THTF Spring Round. Upon motion by Mr. Neal and a second by Ms. Reed the motion to approve the Grant Extension Request from the Gallatin Housing Authority for THTF – 19S-03 was carried.

With no further business, the meeting was adjourned at 10:45 AM CT.

Respectfully submitted,

Ralph M. Perrey
Executive Director
Approved this 24th day of January, 2023

DRAFT



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors

FROM: Cynthia Peraza, Director of Community Programs
Don Watt, Chief Program Officer

SUBJECT: 2023 National Housing Trust Fund Program Description

DATE: January 3, 2023

Recommendation:

Staff recommends the Board approve the following:

- Adoption of the attached proposed 2023 National Housing Trust Fund (NHTF) Program Description (“Program Description”);
- Authorize the Executive Director or a designee to award 2023 NHTF resources to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description; and
- Allow staff to make minor programmatic changes, as deemed necessary and appropriate, and as approved by the Executive Director; and
- Allow the Chief Legal Counsel and Assistant Chief Legal Counsel to make non-substantial changes and substantial changes if needed to comply with federal requirements.

Staff will provide information to the Committee and Board regarding associated funding awards at the meeting that immediately follows the date of the awards.

Program Changes:

The Program Description contains numerous clarifications and the following substantial changes from the 2022 National Housing Trust Fund Program Description:



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1. Updated the application timetables and due dates:
 - Application Due Date - May 5, 2023 by 4:00 PM (CDT)
 - Application Award Announcement - July 7, 2023
 - Contract Dates - August 1, 2023 - July 31, 2026
2. Updated spend down requirements for organizations funded previously through the NHTF Program.
3. Updated the maximum per-unit subsidy limits in accordance with updated limits provided by the U.S. Department of Housing and Urban Development.
4. Removed points associated with the availability of project-based rental assistance to the project.
5. Updated the list of those counties determined by the Appalachian Regional Commission as “distressed” for FY2023. This update will change the number of distressed counties from nine to ten, making the following counties eligible for the Designated Distressed Counties points on the scoring matrix: Lake, Hardeman, Perry, Clay, Grundy, Bledsoe, Morgan, Scott, Hancock, and Cocke.

Background:

THDA administers the NHTF to make funding available for the development of affordable rental housing for extremely low-income households. THDA anticipates the receipt of \$9.76 million in funds through the NHTF. THDA is generally notified in April each year of its funding allocation.

In accordance with its allocation plan approved by HUD, THDA will set-aside 10% of these funds, or \$976,000, for its administrative costs, with the remaining \$8,784,000 made available competitively to preserve or expand rental housing options for this targeted income group. In accordance with NHTF requirements, all funded applicants must maintain these units in accordance with program requirements for a 30-year affordability period.

Entities may seek funding to acquire and rehabilitate existing units or to newly construct rental housing. In accordance with federal requirements, and to enhance the financial stability of the project, applicants may also seek NHTF funds to establish an operating reserve account for the project. All funds will be secured by a note, deed, and restrictive covenant on the property.

Eligible applicants include public housing authorities and nonprofit entities with at least two years of experience in Tennessee in the development, ownership, and management of affordable rental housing.

For complete program description: [3National-Housing-Trust-Fund-2023-Program-Description_Redlined.pdf \(thda.org\)](#)



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Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors

FROM: Cynthia Peraza, Director of Community Programs
Don Watt, Chief Program Officer

SUBJECT: 2023 THDA Emergency Rental Assistance Eviction Prevention Program Description

DATE: December 5, 2022

Recommendation:

Staff recommends the THDA Board take the following action:

- Adoption of the attached proposed 2023 THDA Emergency Rental Assistance Eviction Prevention Program Description (“Program Description”);
- Authorize the Executive Director or a designee to award the 2023 THDA Emergency Rental Assistance Eviction Prevention Program funds to the applicants as recommended by staff;
- Allow staff to make minor programmatic changes, as deemed necessary and appropriate, as approved by the Executive Director; and
- Allow the Chief Legal Counsel and Assistant Chief Legal Counsel to make non-substantial changes and substantial changes if needed to comply with U. S. Treasury requirements.

Staff will provide information to the Committee and Board regarding associated funding awards at the meeting that immediately follows the date of the awards.

Key Points:

THDA will make \$25,000,000 available for the administration of the 2023 THDA Emergency Rental Assistance Eviction Prevention Program (“ERA-EPP”) and will retain \$1,000,000 (4% of the allocation) for Administrative costs. The remaining \$24,000,000 will be used to fund the approved Grantees for the programmatic and administrative costs.



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THDA will set-aside \$12,000,000 of ERA-EPP funds to fund the Community Action Agencies that administer the Low Income Home Energy Assistance Program across the state. The remaining \$12,000,000 allocation will be made available for competitive application to nonprofit agencies who administer an existing Eviction Prevention Program and could make the ERA-EPP immediately available to very low-income households (50% AMI or below) who live within the State and are facing eviction or are at risk of homelessness.

The Program Goals are to:

- Strengthen housing stability across the State through financial assistance for: eviction prevention, legal representation, case management, counseling, and access coordinated funding;
- Collect and share data to better gauge the scope of the current eviction crisis to inform in the creation of policy solutions; and,
- Build community education and awareness around housing issues and affordability in our community.

The 2023 Program Description implementation dates as follow:

- Application Release Date: February 6, 2023 at 9:00 AM CST
- Application Due Date: March 10, 2023 at 4:00 PM CST
- Award Announcement Date: March 29, 2023
- Contract Start Date: May 1, 2023
- Contract End Date: April 30, 2025

Background:

The Tennessee Housing Development Agency (“THDA”) will administer the Emergency Rental Assistance (“ERA”) for the U. S. Department of the Treasury (“Treasury”), as established by Section 3201 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (March 11, 2021) (“ERA 2”), through THDA’s ERA Eviction Prevention Program (“ERA-EPP”).

THDA will make \$25,000,000 of ERA-2 funds available to fund the ERA-EPP. THDA will administer the ERA-EPP through qualified nonprofits and Community Action Agencies to help prevent evictions and homelessness across the state.

For complete program description: [2ERA-Eviction-Prevention-2023-Program-Description.pdf \(thda.org\)](https://www.thda.org/2023-Program-Description.pdf)



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Tennessee Housing Development Agency

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502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors

FROM: Cynthia Peraza, Director of Community Programs
Don Watt, Chief Program Officer

SUBJECT: 2023 HOME-ARP Supportive Services Program Description

DATE: January 3, 2022

Recommendation:

Staff recommends the Board approve the following:

- Adoption of the attached proposed 2023 HOME-ARP Supportive Services Program Description (“Program Description”);
- Authorize the Executive Director or a designee to award 2023 HOME-ARP Supportive Services Program funds to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description;
- Allow staff to make minor programmatic changes, as deemed necessary and appropriate, as approved by the Executive Director, or as required by HUD; and
- Allow the Chief Legal Counsel and Assistant Chief Legal Counsel to make non-substantial changes and substantial changes if needed to comply with federal requirements.

Staff will provide information to the Committee and Board regarding awards made under the 2023 HOME-ARP Supportive Services Program at the meeting immediately following the date of the awards.

Key Points:

THDA is setting aside \$5,659,525 of HOME-ARP funds to implement the 2023 HOME-ARP Supportive Services Program Description to provide financial services and/or supportive services to



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vulnerable populations including, homeless, at risk of homelessness and individuals and families experiencing housing instability.

Eligible activities include Supportive Services; Homelessness Prevention Services; and Housing Counseling Services. The guidelines for each eligible activity is defined the Program Description

THDA will make the competitive application available on February 1, 2023 at 9:00 AM CST with a due date of March 1, 2023 at 4:00 PM CDT.

The funding awards will be announced on or about March 31, 2023, with the Grant award period beginning on May 1, 2023 and ending on November 30, 2024.

The program description will open the HOME-ARP funding to all eligible nonprofit and local jurisdictions with two (2) or more years of experience with administering a program that includes the eligible activities.

Applicants must apply for a minimum of \$200,000 and a maximum of \$500,000 funds.

Background:

THDA received over \$53 million in HOME-ARP funds to implement the HOME-ARP Program and administer the eligible activities included within THDA’s HOME-ARP Allocation Plan.

The HOME-ARP funds will be made available in three rounds of funding. The HOME-ARP funds allow THDA to perform four activities that primarily benefit qualifying individuals and families who are homeless, at risk of homelessness, or are other vulnerable populations. These activities include:

- (1) development and support of affordable housing,
- (2) tenant-based rental assistance (TBRA),
- (3) provision of supportive services; and
- (4) acquisition and development of non-congregate shelter units.

In September 2022, the Board approved the program description to offer the first round of funding to develop affordable rental housing for the target population.

The HOME-ARP Supportive Services Program Description outlines the requirements for the award of funds under the second round of funding. THDA will prioritize funding for agencies located outside of local jurisdictions, which also received an allocation of HOME-ARP funds, those with established relationships with local Continuums of Care, those with a well-considered support services plan for the targeted population.

For the complete program description: [1HOME-ARP-Supportive-Services-2023-Program-Description.pdf](https://thda.org/1HOME-ARP-Supportive-Services-2023-Program-Description.pdf)
(thda.org)



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Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor
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Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: THDA Board of Directors
FROM: Cynthia Peraza, Director of Community Programs
Don Watt, Chief Program Officer
SUBJECT: Grant Extension Request for Grantees with COVID Related Delays
DATE: January 3, 2023

Recommendation

Staff recommends a one-year grant extension for the following Grantees who experienced a delay in completing their projects due to unexpected construction cost increases that impeded their ability to complete their projects in time. The contract extensions will change the Grant Contract End Date as detailed below:

Program	Year	Grantee	Contract End Date	NEW End Date
National Housing Trust Fund	2020	Binghampton Development Corp.	06/30/2023	06/30/2024
National Housing Trust Fund	2020	Knoxville's Community Development Corp.	06/30/2023	06/30/2024
National Housing Trust Fund	2020	Samaritan Recovery	06/30/2023	06/30/2024
National Housing Trust Fund	2020	Sparta Housing Authority	06/30/2023	06/30/2024
National Housing Trust Fund	2020	Urban Housing Solutions	06/30/2023	06/30/2024
Tennessee Housing Trust Fund	2020	Mending Hearts	06/30/2023	06/30/2024
Tennessee Housing Trust Fund	2020	Urban Housing Solutions	06/30/2023	06/30/2024
Tennessee Housing Trust Fund	2020	Park Center	06/30/2023	06/30/2024
Creating Homes Initiative -2	2020	Park Center	05/31/2023	05/31/2024

Background

THDA has been working with numerous grant recipients under various National Housing Trust Fund, Competitive Grants, and CHI-2 program descriptions to assist them with the projects that have realized funding gaps as a result of COVID-19 related construction cost increases.

Now that the funding concerns have been resolved, THDA staff is recommending a one-year extension for these Grantees to provide them with enough time to complete their projects.



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Lending Committee



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

Lending Committee Meeting Agenda

Tuesday, January 24, 2023 at 1010 AM CST
The Tennessee Room #2 – Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

- A. Approval of Minutes from May 24, 2022 meeting
- B. Action Items
 - 1. Housing Cost Index & Resolution

Committee Members:

Chrissi Rhea (Chair)
Commissioner Jim Bryson
Rob Mitchell
Rick Neal



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TENNESSEE HOUSING DEVELOPMENT AGENCY
LENDING COMMITTEE MEETING MINUTES
May 24, 2022

Pursuant to the call of the Chairman, the Lending Committee (the “Committee”) of the Tennessee Housing Development Agency (“THDA”) Board of Directors (the “Board”) met in regular session on Tuesday, May 24, 2022, at 10:08 AM CST, in the Nashville Room of the William R. Snodgrass Tennessee Tower Building.

The following Committee members were present: Rick Neal (Acting Chair), Erin Merrick, Todd Skelton, and Alex Schuhmann (for Commissioner Butch Eley). Absent was: Chrissi Rhea.

Chair Neal called the Committee meeting to order and welcomed the newest committee member, Todd Skelton. The next order of business called by Chair Neal was for consideration of the minutes from the January 25, 2022. Upon a motion by Ms. Merrick, with a second by Mr. Skelton, and with all Committee members identified as present voting yes, to approve the January 25, 2022, meeting minutes was approved.

Chair Neal called on Lindsay Hall, THDA Chief Operating Officer for Single Family Programs, to discuss THDA Economist Dr. Huyla Arik’s, memo dated May 9, 2022, on adopting the “Proposed Calculation” method for increasing income limits under the THDA single family mortgage loan program for all counties to be effective as of June 1, 2022. Upon a motion by Ms. Merrick, with a second by Mr. Skelton, and with all Committee members identified as present voting yes to approve the increased income limits for all counties.

Chair Neal called on Lindsay Hall, THDA Chief Operating Officer for Single Family Programs, to present the THDA Ginnie Mae Form 11702 signature verification and authority request as outlined in the memo dated May 6, 2022 from Steve Fischer, THDA Director of Capital Markets and Lindsay Hall, THDA Chief Operating Officer for Single Family Programs. Staff requests permission from the Board to provide the following authorization as required by Ginnie Mae - The issuance of Ginnie Mae MBS, and the names and genuine signatures of individuals authorized to act on behalf of the applicant or issuer in connection with Ginnie Mae MBS as provided in the 11702 forms for both issuers numbers 4446 ad 4447. Upon a motion by Ms. Merrick, and a second by Mr. Skelton, the motion was approved.

There being no questions and no further business, Chair Neal adjourned the meeting at 10:14 AM CST.

Respectfully submitted,

Ralph M. Perrey
Executive Director
Approved the 24th day of January,
2023



Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor
502 Deaderick Street, Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors
FROM: Dr. Hulya Arik, Economist
Dr. Dhathri Chundururu, Director of Research and Planning
SUBJECT: Housing Cost Index for 2023
DATE: December 22, 2023

Recommendation

Staff recommends adoption of the housing cost index (HCI) for 2023 via the attached Board Resolution.

Based on the calculations explained below, the HCI for 2023 is **38.24 percent**, which is higher than last year's index of 31.44 percent. Although median household income increased, higher interest rates and median home purchase prices greatly contributed to the rising cost of owning a home for Tennesseans.

This item requires recommendation from the Committee and approval from the Board.

Background

The attached HCI for 2023 is prepared in accordance with the formula set out in THDA's enabling legislation. Under Tennessee Code Annotated Section 13-23-114, "The housing cost index shall serve to determine what percentage of the average Tennessee household's gross monthly income is required to pay for primary fixed housing costs under then existing market conditions..." If the housing cost index exceeds 25 percent, the legislature determined that "...a majority of Tennessee citizens are excluded from the normal housing market..." indicating a need for THDA financial assistance programs to aid in providing adequate housing for lower and moderate income persons and families.

This HCI is calculated by dividing the median gross household income by the sum of the following cost factors: (a) a monthly mortgage loan payment for an average Tennessee household based on a thirty-year mortgage loan at the prevailing mortgage loan interest rate on a mortgage loan amount sufficient to purchase a median priced home, (b) an average mortgage insurance premium, and (c) the average property tax and hazard insurance amounts.

For the 2023 HCI, we reverted to the original data sources and methodology for estimating median purchase price and median household income, which we were not able to utilize for the 2022 HCI due to data limitations.

ESTIMATED TENNESSEE HOUSING COST INDEX, 2023										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(1) Median Purchase Price	\$169,669	\$173,448	\$174,864	\$186,358	\$201,021	\$211,257	\$223,125	\$248,645	\$297,318	\$334,197
(2) Discount Points	1.21	0.61	0.61	0.54	0.50	0.50	0.52	0.73	0.70	--
(3) Market Rate	3.99%	4.41%	4.06%	3.92%	4.17%	4.63%	4.01%	3.20%	2.90%	5.16%
(4) Adj. Sales Price	\$171,722	\$174,503	\$175,938	\$187,359	\$202,026	\$212,313	\$224,278	\$250,462	\$299,399	\$334,197
(5) FHA Mort. Amount	\$167,369	\$171,342	\$172,752	\$183,965	\$198,367	\$208,468	\$220,216	\$245,926	\$293,977	\$328,144
(6) Property Tax Rate	3.21	3.23	3.23	3.20	3.19	3.10	3.03	2.98	2.86	2.77
(7) Property Tax/Month	\$114	\$117	\$118	\$124	\$133	\$136	\$141	\$154	\$177	\$193
(8) Homeowners Insurance	\$107	\$115	\$116	\$116	\$127	\$134	\$132	\$147	\$156	\$171
(9) P&I/Month	\$798	\$859	\$831	\$870	\$966	\$1,072	\$1,053	\$1,064	\$1,223	\$1,794
(10) Monthly PITI	\$1,019	\$1,091	\$1,065	\$1,111	\$1,227	\$1,342	\$1,325	\$1,365	\$1,556	\$2,157
(11) Gross Income	\$42,451	\$44,379	\$45,747	\$47,275	\$49,585	\$54,566	\$55,471	\$58,070	\$59,385	\$67,701
Housing Cost Index (% of Gross Income)	28.79%	29.50%	27.93%	28.19%	29.70%	29.52%	28.67%	28.20%	31.44%	38.24%

Variable description, including sources and methodology:

1. **Median Purchase Price:** For the 2023 HCI, median purchase price is calculated from all home sales reported by county property assessors to Tennessee Office of the Comptroller. We then adjust this estimate using the Federal Housing Finance Agency (FHFA) quarterly House Price Index (HPI) for the third quarter of the year prior to index year. For example, for the 2023 HCI, the 2021 median home price is adjusted using the third quarter of 2022 HPI from FHFA. In 2022, due to a lack of available data, we relied on data from the Home Disclosure Act (HMDA).
2. **Discount Points:** As of November 17, 2023, Freddie Mac stopped reporting the average fees and points because under the current LPA requirements, fees and points are not always required to be provided by lenders. Since there is no other reliable and publicly available source for fees and discount points, the 2023 HCI calculations do not include discount points and fees, a departure from prior years. The implications include a potential underestimation of true housing cost, as we assume that homebuyers finance the cost of discount points.
3. **Market Rate:** Data regarding the average of weekly interest rates (2022 year to date) are from Freddie Mac PMMS®. In their November 17th, 2022 release, Freddie Mac updated its mortgage rate collection process. Rather than of surveying lenders, Freddie Mac used data from Loan Product Advisor® (LPASM). Therefore, the PMMS® results are now based on mortgage rates collected from thousands of loan applications submitted to Freddie Mac from lenders across the country when a borrower applies for a mortgage.¹ Additionally, unlike previous years, the interest rate data is released weekly. Therefore, the average interest rate is the average of previous 52 weeks as of December 8, 2023 (the most recent date the interest rate data was released).

¹ For more information, please reference a recent Research Note from Freddie Mac explaining the new enhanced methodology, which can be retrieved here: <https://www.freddiemac.com/research/pdf/202210-Note-PMMS-07.pdf>.

4. Adj. Sales Price: This value is the median Purchase Price adjusted with discount points. However, since there was no data for discount points for 2023 HCI calculations, this is equivalent to median purchase price.
5. FHA Mort. Amount: The value is the average FHA mortgage amount for 2022. This assumes a 3.5% downpayment and includes an upfront mortgage insurance premium financed into the final mortgage (1.75% of the base loan amount).
6. Property Tax Rate: Data for this value are from the Tennessee Office of the Comptroller, Division of Property Assessment.
7. Property Tax / Month: The monthly property tax is the weighted average statewide residential effective tax rates per \$100 of assessed value; 25% of assessed value.
8. Homeowner Insurance: This value is homeowners' monthly insurance payments, based on the insurance rates of THDA borrowers.
9. P&I / Month: This value is monthly principal and interest (P&I) payments, assuming 30-year fixed payments with the average interest rate.
10. Monthly PITI: Monthly fixed housing costs include principal, interest, property tax and insurance (PITI).
11. Gross Income: This value is calculated using median family gross income (MFI) and median household income (MHI) data from the 2021 1-year estimates of the American Community Survey (ACS). To estimate the MHI for 2022, we calculate the percentage change in HUD median family income (MFI) from 2021 to 2022. However, the calculation of the MHI for last year's HCI was estimated differently as the Census Bureau did not release 1-year estimates for 2020 due to the pandemic. For reference, last year, we calculated the annual change in MHI from 2010 to 2019 and applied the average annual change to the 2019 MHI to estimate the 2020 MHI.

RESOLUTION OF THE BOARD OF
DIRECTORS ADOPTING THE HOUSING
COST INDEX AND
AUTHORIZING THE OPERATION OF FINANCIAL ASSISTANCE
PROGRAMS
JANUARY 24, 2023

WHEREAS, pursuant to Tennessee Code Annotated Section 13-23-114, a part of the Tennessee Housing Development Agency Act (the “Act”), the Tennessee Housing Development Agency (“THDA”) is directed to establish a housing cost index as defined in Section 13-23-103 of the Act; and

WHEREAS, THDA has established a housing cost index for 2023 pursuant to Section 13-23-103(7) of the Act based on calculations as of December 22, 2022, a copy of which is attached hereto and incorporated herein by this reference (the “Housing Cost Index”); and

WHEREAS, the Housing Cost Index shows that primary housing costs exceeded 25% of an average Tennessee household’s gross monthly income; and, the Board, as authorized by Section 13-23-114 of the Act, wishes to approve the continued operation of THDA’s financial assistance programs including, but not limited to, THDA loan programs.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY AS FOLLOWS:

1. The Housing Cost Index for 2023, which shows that primary housing costs equal approximately 38.24% of an average Tennessee household’s gross monthly income is hereby adopted.
2. The continued operation of THDA’s financial assistance programs including, but not limited to, THDA loan programs, is hereby authorized.
3. This resolution shall take effect immediately.

This resolution was adopted by the affirmative vote of no fewer than eight (8) members of the Board of Directors of THDA at its meeting on January 24, 2023.



Rental Assistance Committee



Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

Rental Assistance Committee Meeting Agenda

Tuesday, January 24, 2023 at 1015 AM CST
The Tennessee Room #2 – Tennessee Towers
312 Rosa L. Parks Avenue, 3rd Floor
Nashville, TN 37243

- A. Approval of Minutes from September 27, 2022 meeting
- B. Action Item
 - 1. Homeownership Option Voucher Program

Committee Members:

John Snodderly (Chair)
Rob Mitchell
Tennion Reed
Dan Springer



Andrew Jackson Building Third Floor - 502 Deaderick St. - Nashville, TN 37243

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TENNESSEE HOUSING DEVELOPMENT AGENCY
RENTAL ASSISTANCE COMMITTEE MEETING MINUTES
September 27, 2022

Pursuant to the call of the Chairman, the Rental Assistance Committee (the “Committee”) of the Tennessee Housing Development Agency (THDA) Board of Directors (the “Board”) met in regular session on Tuesday, September 27, 2022, at 10:55 AM CT in the Nashville Room of William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following committee members were present in person: Acting Chair, Matt McGauley and Rob Mitchell. The following committee members were present telephonically: John Snodderly and Tennion Reed. Those absent were: Todd Skelton

Recognizing the need to conduct the meeting with members in person and on the phone, Chair McGauley called upon Chief Legal Counsel, Bruce Balcom, to read the Electronic Meetings statement:

“Certain Committee 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 Committee/Board today require timely action and the physical presences for a sufficient number of members to constitute a quorum is not possible within the time frame in which action is required. Therefore, it is necessary for some members to participate via telephone. Committee/Board members participating by telephone were sent documents relevant to today's meeting.”

With a motion by Mr. McGauley and a second by Mr. Mitchell, and a roll call vote with 4 ayes, a motion was approved to conduct the meeting in this manner.

Chair McGauley then asked for consideration of the July 19, 2022, meeting minutes. Upon motion by Mr. Snodderly and a second by Mr. Mitchell and a roll call vote with 4 ayes, the motion carried and the minutes were approved.

Chair McGauley recognized Jeboria Scott, Director of the Rental Assistance Division, to present the Housing Choice Voucher (Project-Based Vouchers) pilot program for formal approval by the Committee and Board. She referenced the Housing Choice Voucher (Project-Based Vouchers) pilot program outlined in the memo dated September 12, 2022, from Jeboria Scott, Director of Rental Assistance and Don Watt, Chief Programs Officer in the board materials. She highlighted the Division's evaluation of an initial 5% of existing Housing Choice Vouchers (HCV) as Project-Based Vouchers (PBV) in order to increase the availability of units for vulnerable low-income Tennesseans in two phases – Phase one in 2022 in association with the National Housing Trust Fund and HOME-ARP resources and Phase two in association with the 2024 Low Income

Housing Credit Program. With a motion by Mr. Mitchell and a second by Mr. Snodderly, and a roll call vote with 4 ayes, the motion to approve the Project-Based Voucher Pilot Program as presented and outlined in the board materials was passed.

With discussion concluded and no further business, the meeting was adjourned at 11:03 CT.

Respectfully submitted,

Ralph M. Perrey
Executive Director
Approved this 24th of January, 2023

Draft



Tennessee Housing Development Agency

Andrew Jackson Building, Third Floor
502 Deaderick Street, Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM

TO: Rental Assistance Committee
THDA Board of Directors

FROM: Jeboria Scott, Director of Rental Assistance
Don Watt, Chief Programs Officer

DATE: January 6, 2023

SUBJECT: The Homeownership Option of the Housing Choice Voucher Program

Recommendation:

Staff recommends that the Board authorize THDA staff to provide notice to the U.S. Department of Housing and Urban Development to discontinue the Homeownership Option Voucher of the Housing Choice Voucher Program.

Background:

The Homeownership Option Voucher (HOV) of the Housing Choice Voucher (HCV) Program is a voluntary program created by HUD to assist low-income, first-time homebuyers assisted under the HCV program to use their voucher to purchase a home and receive monthly mortgage assistance payments, which are paid directly to the lender or loan servicing company. THDA started the HOV Program in November 2001. A total of 112 subsidized and unsubsidized home purchases were made during the homeownership program's 20-year duration. Currently, 46 households are participating in the HOV program and 2 households are seeking mortgage assistance.

Due to significant program challenges that originated during the 2008 housing crisis and exacerbated by post pandemic market challenges, THDA plans to discontinue its administration of the HOV Program for new applicants beginning April 1, 2023. After assessing the need, staff has determined that HCV recipients continue to encounter barriers in their pursuit of homeownership. Additionally, THDA encounters significant challenges to administer this option of the HCV program, while ensuring the transition from rental to homeownership is in the best interest of the participant.

Specific factors that have led to this recommendation include challenges facing many PHAs:

- Inability of program participants to be deemed eligible for government backed programs that promote homeownership down payment assistance.
- Changes in the current housing market have increased the difficulty for HOV participants to locate affordable single family homes.
- Shortage of financing and affordability options for participants due to stricter credit standards.
- Two mortgage payment model creates unintentional issues for lenders that are unfamiliar with applying two separate payments, which may have a derogatory impact on credit reporting for homeowners.
- Difficult for families to meet all THDA program eligibility requirements and complete both pre-purchase and post-purchase counseling.
- Many HCV recipients lack the discretionary income necessary to reduce debt and improve credit profile for mortgage eligibility and approval.
- Some lenders are unwilling to work with HOV participants due to lack of income, credit issues, and usage of voucher as subsidy assistance.
- Multiple inspection requirements.
- Most homeowners lack the resources for standard repairs.

To discontinue the HOV, staff will undertake the following steps:

- Submit a formal letter of intent and Plan to HUD with plan to conclude the HOV on March 1, 2023.
- Provide a 30 day notice to current HCV households indicating that application to the HOV will cease on April 1, 2023.
- Continue to determine eligibility for families currently in the pipeline (potential homeowners), totaling 2 families.
- Continue to serve existing 46 HOV participants through the end of their mortgage term.