



**Tennessee Housing Development  
Agency - Board of Directors  
Meeting Materials  
March 24, 2020**



**Tab 1 – Agenda**

**Tab 2 – Memo from  
Ralph M. Perrey**

**Tab 3 – Meeting Minutes from  
January 29, 2020 Mtg.**

**Tab 4 – Bond Finance Committee  
Meeting Materials**

**Tab 5 – Grants Committee  
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Meeting Materials**

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Meeting Materials**

**Tab 8 – Blank**

# Tab # 1

Items:

Agenda



THDA Board of Directors Meeting  
March 24, 2020—1:00 p.m. Central Time  
William R. Snodgrass -Tennessee Tower  
312 Rosa L Parks Avenue, Third Floor  
Nashville, Tennessee 37243

All meetings will be held in The Nashville Room

#### AGENDA (Tab #1)

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#### Public Comment to the Board

Hedges, Perrey, Board Members

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- A. Opening Comments ..... Hedges
- B. Approval of Minutes from January 29, 2020 Meeting (Tab #3) ..... Hedges
- C. Executive Director's Report (Tab #2) ..... Perrey
- D. Committee Reports and Committee Matters
  - 1. Bond Finance Committee (Monday, March 23 – State Capitol; Room G-11) (Tab #4) ..... Hedges
    - \* a. Issue 2020-2 (Federally Taxable) Authorization ..... Miller
    - \* b. Issue 2020-3 (Tax-Exempt and Federally Taxable) Authorization ..... Miller
    - \* c. Issue 2020-3 Reimbursement Resolution ..... Miller
  - 2. Grants Committee \*\* (Tab #5) ..... Cleaves
    - \* a. 2020 Weatherization Assistance Program Model Plan Submission Authorization ..... Peraza
    - \* b. 2021 Challenge Grant Program Description Approval ..... Peraza
    - \* c. HOME Grant Extension Request ..... Peraza
  - 3. Lending Committee \*\* (Tab #6) ..... McMullen
    - \* a. Ginnie Mae Seller/Servicer and Federal Home Loan Bank Mortgage Purchase Program Authorization ..... Hall
    - \* b. Down Payment Assistance Modifications ..... Hall
    - \* c. New Start Program Modifications ..... Hall
    - \* d. Tyson Foods Employee Down Payment Assistance Grant ..... Hall
  - 4. Tax Credit Committee \*\* (Tab #7) ..... Tully
    - \* a. Amendment to the 2020 Multifamily Tax-Exempt Bond Authority Program Description ..... King

\*Requires Board Action

\*\*Agenda items are listed by Committee, however, it is likely that all items will be handled by the Board as a whole without Committee Meetings.

# Tab # 2

Items:

Memo from Ralph M. Perrey, Executive Director



## 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  
DATE: March 13, 2020  
SUBJ: THDA Board of Directors

THDA Board members –

Amid the uncertainties caused by the COVID-19 virus pandemic, we are preparing contingency plans in the event that you would prefer to meeting via telephone or web-based means. In that event, I would propose that we eliminate committee meetings and simply calendar all action items for the Board to discuss and act upon as a Committee of the Whole. We will advise later in the week. In addition, based on how we manage our Board Meeting, we will decide how best to handle the Innovation Round tax credit presentations.

Several consequential action items await your attention this month:

- Authorization for our next bond issue, Issue 2020-3, as well as authorization for a taxable refunding of older bonds, Issue 2020-2. Details are provided behind the Bond Finance Committee tab. The refunding is proposed so as to take advantage of unprecedented low interest rates. Please note this authorization would allow THDA to move quickly to take advantage of such opportunities for the balance of this calendar year, given approval of an officer authorized by the Board of Directors.
- Having been given an additional \$100 million in volume cap by the Department of Economic & Community Development, we propose to increase the amount available for Multifamily bonds. We will circulate a follow-up memo next week, with information about our pipeline of bond deals and available volume cap.
- In preparation for the launch of our conventional mortgage loan products, we ask your authorization to modify terms of THDA's down payment assistance. We also ask approval to pursue seller/servicer agreements with Ginnie Mae and the Federal Home Loan Bank, both of which would be outlets for the sale of our FHA-backed mortgages. We also propose modifications to the New Start program that will make it easier for non-profit partners serving high-cost markets.
- We need your approval for our annual submittal to the Department of Energy to administer the Weatherization Assistance Program (WAP).

- In addition, we propose allocating leftover ESG funds (about \$230,000) to organizations that operate shelters for the homeless to help them deal with issues related to COVID-19.
- Under separate cover, we will provide information on a large number of HOME grant extension requests, most of which we recommend NOT extending.

We will also provide updates on the progress of our secondary market execution and plans for single family conventional loan products, plans for changes to the 2021 Qualified Allocation Plan for housing tax credits, and the reorganization plan for our Rental Assistance Division.

I appreciate your patience and flexibility as we adjust in the time of COVID-19. You can expect follow up communication from us in the week leading up to the board meeting as to logistics. Please feel free to contact me directly with any questions or concerns.

# Tab # 3

Items:

Minutes from the January 29, 2020 Meeting



## THDA Board Meeting

Tab # 3 – Minutes from January 29, 2020 Meeting

Agenda Items No.

- B. Minutes from January 29, 2020 Meeting will be sent under separate cover

# Tab # 4

Items:

Bond Finance Committee Meeting Materials

**Tennessee Housing Development Agency  
Bond Finance Committee**

**March 23, 2020  
2:00 P.M. Central Time**

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AGENDA

1. Call to Order .....Hedges
2. Approval of minutes from January 28, 2020, meeting .....Hedges
3. Issue 2020-2 Authorization ..... Miller
4. Issue 2020-3 Authorization.....Miller
5. Issue 2020-3 Reimbursement Resolution ..... Miller
6. Adjourn .....Hedges

LOCATION

Conference Room G-11  
State Capitol, Ground Floor  
Nashville, Tennessee 37243

COMMITTEE MEMBERS

Mike Hedges, Chair  
Secretary Tre Hargett  
Treasurer David Lillard  
Commissioner Stuart McWhorter  
Comptroller Justin Wilson

TENNESSEE HOUSING DEVELOPMENT AGENCY  
BOND FINANCE COMMITTEE  
January 28, 2020

Pursuant to the call of the Chair, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met on Tuesday, January 28, 2020, at 2:00 P.M. in Conference Room G-11, State Capitol, Nashville, Tennessee. The following members were present: Michael Hedges (*Chair*), Jonathan Rummel (for Secretary of State Tre Hargett), Kevin Bradley (for Treasurer David Lillard), Colleen Daniels (for Commissioner of Finance and Administration Stuart McWhorter) and Comptroller Justin Wilson (*Secretary*).

Recognizing a quorum present, Chair Hedges called the meeting to order and called for consideration of the minutes from the November 18, 2019, Committee meeting. Upon motion by Justin Wilson, seconded by Colleen Daniels, the minutes were unanimously approved.

Chair Hedges recognized Lynn Miller, THDA Chief Legal Counsel, to present the authorization of a draw down facility. Ms. Miller presented the following documents that were circulated earlier for the Committee’s consideration:

- a memorandum from CSG Advisors Incorporated (“CSG”), financial advisor to THDA, dated January 13, 2020, recommending authorization of a Bond Cap Recycling “Draw Down” Program;
- the Plan of Financing for a revolving line of credit (a “LOC”) and/or the issuance of notes (the “Notes”) in an aggregate cumulative principal amount not to exceed \$300 million for the purpose of refunding THDA bonds (“Plan of Financing”); and
- the Resolution of the Board of Directors authorizing and delegating authority to the Committee to proceed with a LOC and/or the issuance of Notes (“Authorizing Resolution”).

Ms. Miller indicated that staff is looking at options to conserve volume cap for the single family program. She noted that the Plan of Financing and the Authorizing Resolution provide flexibility to issue Notes or to obtain a line of credit and delegates authority to the Committee to make all the final decisions about program execution. Ms. Miller described the method by which volume cap is allotted to THDA, THDA’s allocation of volume cap for multifamily and the rate at which THDA is currently using volume cap carried forward from prior years. Upon motion by Comptroller Wilson, second by Mr. Rummel, the Plan of Financing was approved and the Committee recommended the Authorizing Resolution to the Board for approval.

Chair Hedges indicated the next agenda item was consideration of an amendment to the Issue 2020-1 Authorizing Resolution. Ms. Miller noted that the Bond Finance Committee and the Board of Directors took the necessary steps at the November 2019 meeting to authorize Issue 2020-1, which may include tax-exempt and taxable bonds as determined by the Bond Finance Committee. She explained that as one of the steps to conserve volume cap, CSG recommended that Issue 2020-1 include 20% to 30% taxable bonds. She noted that purchasers of taxable bonds have different expectations regarding the timing of pricing approval and allocation approval that makes the process THDA typically follows in approving the sale of tax-exempt bonds too time consuming to meet the needs of the purchasers. She pointed out that the process in the THDA enabling legislation that authorizes the Board and the Bond Finance Committee to delegate to a designated officer the power to approve the purchase price of the bonds and other details of the bonds, upon recommendations from staff, the financial advisor, and bond counsel, resolves the timing issue. Ms. Miller further explained that the proposed amendment to the Authorizing Resolution revises the authorization made in the original Authorizing Resolution to delegate authority to the Secretary of the Bond

Finance Committee as the Authorized Officer, instead of the Bond Finance Committee, to approve the purchase price and other details of the bonds. Upon motion by Mr. Rummel, seconded by Mr. Bradley, the Committee recommended approval of the Issue 2020-1 Authorizing Resolution Amendment to the Board.

Chair Hedges then recognized Ms. Miller to provide the annual Volume Cap Update. Ms. Miller referenced her memo dated January 27, 2020, and explained that the information included in the memo shows a worst-case scenario where THDA single family loan production remains high and THDA does not employ measures to conserve volume cap. She noted that with strong demand for THDA loans, THDA is using volume cap faster than it has been received so, it is possible that in the next two to three years, THDA could have insufficient volume cap to issue tax-exempt bonds to meet the demand for THDA single family loans. Ms. Miller added that this information supports the need to take steps to conserve volume cap. No further action was necessary.

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 2019-4. Ms. Miller advised that the Report was filed with the Office of the Comptroller and is being presented to the Committee and the Board to meet the reporting requirement pursuant to TCA Section 9-21-151(c)(2). No action by the Committee was needed.

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

Respectfully submitted,

Sandra Thompson  
Assistant Secretary

Approved the \_\_\_\_\_ day of March, 2020.



# Tennessee Housing Development Agency

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

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

**DATE:** March 12, 2020  
**TO:** THDA Bond Finance Committee and Board  
**FROM:** Lynn Miller  
Chief Legal Counsel  
**SUBJECT:** Authorization of General Residential Finance Program Bonds, Issue 2020-2  
(Federally Taxable)

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## DOCUMENTS FOR BOND FINANCE COMMITTEE CONSIDERATION

Attached please find the following documents in connection with the requested authorization of the next THDA bond issue, Issue 2020-2:

1. Memo from CSG Advisors Incorporated (“CSG”) recommending authorization in the maximum principal amount of \$110,000,000 for a taxable bond issue under the General Residential Finance Program Bond Resolution adopted in 2013. This bond issue is expected to be in an amount sufficient to refund certain bonds optionally callable on January 1, 2020; July 1, 2020; and January 1, 2021. Staff expects this bond issue to be priced as soon as possible depending on market conditions. The final size and structure will be determined by the Authorized Officer closer to pricing.
2. THDA Plan of Financing for Issue 2020-2 Residential Finance Program Bonds, which the Bond Finance Committee will be asked to approve.
3. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2020-2, that includes the form of Supplemental Resolution for Issue 2020-2 and that authorizes the referenced bond issue and delegates authority to the Authorized Officer to determine all final terms and conditions. The Bond Finance Committee will be asked to recommend this resolution and the transaction to the THDA Board of Directors.

### COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2020-2 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the “Debt Management Policy”). In particular, Issue 2020-2 complies with the Debt Management Policy as follows:

Part III - by allowing THDA “...to maintain a steadily available supply of funds to finance its mortgage loan programs at cost levels that provide competitive, fixed interest rate mortgage loans that benefit low and moderate income families, while maintaining or improving THDA’s overall financial strength and flexibility...”

Part VIII - the issuance of this debt will not cause THDA to exceed the statutory debt limit contained in TCA Section 13-23-121.

Part X - the factors and items listed to be considered in planning, structuring and executing a bond issue have been and will be considered as planning, structuring and executing this bond issue moves forward.

Part XIV - serial bonds, terms bonds and PAC bonds are being considered for the structure of the bond issue.

Parts XV – authorization of a potential refunding component is expected to result in present value savings and will further THDA program objectives of providing competitive, fixed interest rate mortgage loans that benefit low and moderate income families.

Parts XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2020-2 does not include interest rate and forward purchase agreements, conduit debt, or variable rate debt.

### SENIOR BOOKRUNNING MANAGER

In connection with the appointment of the underwriting team in January 2018, the Bond Finance Committee elected to move from a strict rotation to a “soft” rotation for the selection of the senior bookrunning manager. The Bond Finance Committee retained the option of changing the order based on an analysis of performance on the immediately preceding THDA bond issue.

The CSG memo referenced in #1 above includes an analysis of and recommendation for senior bookrunning manager. Based on the CSG recommendation, THDA staff recommends that Raymond James be appointed as the bookrunning senior manager for Issue 2020-2.

### ROTATING CO-MANAGER

Based on the CSG recommendation, THDA staff recommends that selling group member Robert W. Baird be appointed to serve as rotating co-manager for Issue 2020-2 based on their performance, as described by CSG, on Issue 2020-1.

### SELLING GROUP

Duncan-Williams, Inc.  
FTN Financial  
Wiley Brothers Aintree Capital, LLC.

LEM/ap

## MEMORANDUM

**TO:** THDA Board of Directors and THDA Bond Finance Committee

**FROM:** Tim Rittenhouse, David Jones, Mark Kaveny & Eric Olson

**SUBJECT:** Bond Issue Authorization Recommendation

**RE:** Residential Finance Program Bonds, Issue 2020-2 (Federally Taxable)

**DATE:** March 10, 2020

### Executive Summary

- Approximately \$110 million of outstanding bonds are optionally callable through January 1, 2021.
- Bonds can be refunded either as:
  - tax-exempt refunding bonds that, when combined with new money bonds, help to provide attractive mortgage rates and protect against the possibility of rising interest rates, or
  - taxable refunding bonds that permit THDA to retain all the interest rate savings, providing additional resources for its programs and strengthening its 2013 General Resolution.
- Given the record low level of current interest rates, refunding the optionally callable bonds with taxable bonds would allow THDA to retain all such savings in the 2013 General Resolution. THDA has ample sources of excess earning on prior tax-exempt transactions to ensure attractive mortgage rates on new loans offered to homebuyers throughout the state.
- **CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a not-to-exceed \$110,000,000 Issue 2020-2 under the 2013 General Resolution as a taxable refunding of any or all of the following outstanding issues:**

Issue 2010-1*	Issue 2011-A**
Issue 2011-1*	Issue 2011-B / 2009B-4**
	Issue 2011-C / 2009B-5**

\* *Currently held in the 1985 General Resolution.*

\*\* *Currently outstanding in the 2009 General Resolution.*
- For Issue 2020-2, CSG recommends that Raymond James serve as book-running senior manager (see **Appendix A** for our Underwriter Recommendation Memo).



## Current Market Conditions

On February 25<sup>th</sup>, two weeks ago, THDA very successfully priced Issue 2020-1. Since that time, fear over the impact of the coronavirus on both global and domestic economic activity triggered drastic investor demand for safety as evidenced by the almost daily record lows across almost the entire US Treasury bond yield curve. Since pricing Issue 2020-1, the 10-year US Treasury bond yield has plummeted from 1.33% to 0.54% as of March 9<sup>th</sup>, and the 30-year treasury reducing in yield from 1.80% to 0.99% over the same period. High-quality tax-exempt Municipal Market Data Index (“MMD”) yields over the same period also moved lower from their February 25<sup>th</sup> levels, with the 10- and 30-year yields down from 0.98% and 1.57%, to 0.78% and 1.38%, respectively (as of the March 9<sup>th</sup> close).

As fears mounted over the economic impact of the coronavirus in recent weeks, in an attempt to support the markets the Federal Reserve’s Open Market Committee (FOMC) announced an emergency 0.50% cut in the federal funds rate on Tuesday, March 3<sup>rd</sup>. The effect of the rate cut is widely thought to have added more concern among market participants for the potential severity of the coming domestic economic decline particularly in its impact on manufacturing supply chains, the travel industry, and consumer confidence. Looking ahead, investors expect two additional rate cuts over the coming months which has caused the 1-year US Treasury yield to decline an extraordinary 0.99% since pricing Issue 2020-1 just two weeks ago.

## Upcoming Refunding Opportunities

As shown in Table 1 below, THDA has five bond issues (consisting of seven different sub-series) optionally callable on dates through January 1, 2021 totaling \$110.9 million after the April 1, 2020 redemptions.

**TABLE 1: Bond Refunding Candidates through January 1, 2021**

Issue	Optional Call Date	Bonds Outstanding as of 4/1/2020	Weighted Avg Coupon	Current Resolution
2010-1	Any date	\$ 8.8 million	3.51%	1985 Resolution
2009B-4*	Any date	27.4 million	2.92%	2009 Resolution
2009B-5**	Any date	13.4 million	2.92%	2009 Resolution
2011-A	7/1/2020	7.0 million	4.42%	2009 Resolution
2011-1	1/1/2021	29.0 million	4.19%	1985 Resolution
2011-B*	1/1/2021	8.3 million	3.98%	2009 Resolution
2011-C**	1/1/2021	17.0 million	3.99%	2009 Resolution
<b>Total</b>		<b>\$ 110.9 million</b>	<b>3.58%</b>	

\*2011-B and 2009B-4 are part of the same tax plan / bond issue as Market and Program Bonds issued under the New Issue Bond Program.

\*\* 2011-C and 2009B-5 are part of the same tax plan / bond issue as Market and Program Bonds issued under the New Issue Bond Program.

Of the total \$110.9 million in refunding bond candidates, \$49.6 million is optionally callable now, with the remaining \$61.3 million optionally callable between July 1, 2020 and January 1, 2021. Unlike refunding with tax-exempt bonds where tax rules only allow a current refunding of bonds callable within 90 days of closing the refunding, with taxable refunding bonds THDA can advance refund bonds that have optional call dates more than 90 days after closing the refunding. An advance refunding of bonds does require that funds equal to the par amount of the bonds being refunded plus all accrued interest due through the optional call date to be placed into an escrow account to allow for the redemption of the bonds on the respective optional redemption dates.

## Benefits of Refunding with Taxable Bonds

Refunding with taxable bonds is attractive for the following reasons:

1. THDA retains all of the net interest rate savings generated over the life of the transaction as opposed to a tax-exempt refunding which limits the spread THDA can retain.  
Refunding savings can be used to fund future down payment assistance loans, pay for program initiatives, redeem additional outstanding bonds, provide liquidity in the 2013 General Resolution, or pay other THDA costs. With a taxable refunding, there is no yield limitation between the mortgages and the bonds, as required with tax-exempt bonds. All savings can be retained and used for any allowable purpose under the General Resolution.
2. Taxable rates are currently well below previous all-time lows.  
After breaching its prior all-time low from 2016 of 1.36%, the 10-year Treasury bond has declined to a yield of 0.54% as of the March 9<sup>th</sup> close. It is likely to be highly volatile in the coming weeks as market participants assess the potential future impacts of the coronavirus, but the taxable rate environment is likely to remain incredibly attractive.
3. There are currently more than \$20 million in Debt Service Reserves within Issue 2010-1 and 2011-1 that once refunded with taxable bonds, can be made available and flexible to THDA to be used for program initiatives, funding operations, etc.  
Because the reserves were initially funded with tax-exempt bond proceeds, if refunded with tax-exempt bonds, such funds would be required to either redeem bonds, or continue as debt service reserves in the refunding issue, restricting their flexibility.
4. A taxable refunding allows for the advance refunding of the bonds that are optionally callable on January 1, 2021, allowing THDA to lock in its yield on refunding bonds now.

## Cost of Advance Refunding

As described on page 2, an advance refunding requires that THDA fund all interest on the currently outstanding bonds until their respective optional call date. Once the refunding bonds are issued, THDA will incur negative reinvestment costs during the period from when refunding bonds are issued to the optional call date of some of the bonds being refunded. That negative carry cost is partially offset by the interest income THDA will earn on the monies deposited to defease the current outstanding bonds. Our estimate of the negative carry cost incurred by THDA is shown on Exhibit A but is far outweighed by the interest savings THDA will realize from the lower coupon on the refunding bonds.

As shown on Exhibit A, the potential refunding bond structure of \$110,000,000 consists of serial bonds, term bonds, and a premium PAC bond, similar to THDA's Issue 2020-1 sold recently. The current estimated bond yield based on interest rates as of March 6<sup>th</sup> is 2.11%.

Based on current market conditions, refunding the bonds listed in Table 1 above with a structure including a PAC bond would generate a net present value savings of between \$4.8 million assuming 300% PSA prepayments, or as high as \$6.5 million assuming a slower 100% PSA prepayment speed. Over the eight months ending February 28, 2020, the mortgage loans within series listed in Table 1 have prepaid at a weighted average speed of 197% PSA. If the transferred loans prepay more slowly in the future, the net present value savings of the refunding will be greater. Projected economic benefits of the refunding are shown below and in Exhibit A.

**TABLE 2: Economic Savings as a Result of Refunding:**

<u>Loan Prepayment Speed</u>	<u>Estimated NPV Savings</u>
100% PSA	<b>\$6.5 million (5.9%)</b>
200% PSA	<b>\$5.5 million (5.0%)</b>
300% PSA	<b>\$4.8 million (4.4%)</b>

- Percentages are of bonds issued.
- As prepayment speeds increase, the economic savings to THDA decreases since faster prepayments reduce the period of time in which THDA earns the interest spread between the mortgage rate on the loans and the average interest rate on the bonds.

## Method of Sale

In the current market for housing bonds THDA will continue to benefit from offering its bonds via negotiated sale, rather than by competitive bid. Factors favoring a negotiated sale include:

Retail Sales / In-State Selling Group – THDA has enjoyed strong demand for its bonds among Tennessee retail investors with retail buyers often helping to set prices for institutions, although demand among retail investors for high quality housing bonds has been light. Underwriting syndicate members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA’s issues. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA’s interest during a negotiated sale. When housing bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. THDA’s practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

Market Volatility – A competitively bid bond issue requires that the timing and, to a significant extent, the final bond structure be established well in advance of the bid date. Continued market volatility and low housing bond volumes make it unlikely THDA could structure its bonds to obtain the lowest possible cost of debt in advance of pricing. A negotiated sale provides flexibility to price on shorter notice, to adjust the bond structure through the pricing period in response to market factors and investor indications, or to delay or accelerate the pricing as conditions warrant.

Complexity and Credit – While investors are familiar with bonds issued by housing finance agencies, a negotiated sale provides greater opportunity to communicate with investors about the more complex structure, program experience, prepayment histories, and the credit features of THDA’s bonds.

Bond Structure – Though Issue 2020-2 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater to the interests of certain investors, such as those interested in the PACs, to add additional maturities or features, or to use bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in a number of THDA’s offerings in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

Pricing Oversight – THDA’s policies and practices for negotiated bond sales – including the review of co-manager price views, consensus scales, comparable pricings, historic and current spreads, other current market data, and concurrent monitoring by the Office of State and Local Finance and CSG – provide THDA with the basis for confirming that its bonds are priced fairly at time of sale. In advance of the offering CSG

also provides a pre-pricing memo with information related to general bond market conditions, the housing bond market, and projected interest rate levels based on recent housing bond issues, previous THDA offerings, pending statistical releases, and candid independent discussions with uninvolved third-party underwriting desks. In order to manage incentives for the syndicate members and investors, CSG also advises on syndicate rules and procedures, proposed holdbacks of specific maturities, and allotments of bonds.

## Recommendations

CSG Advisors recommends that the THDA Board of Directors and THDA Bond Finance Committee:

- Authorize the issuance and sale of Residential Finance Program Bonds, Issue 2020-2 with a par amount not to exceed **\$110,000,000**;
- Delegate to the Bond Finance Committee or Authorizing Officer the authority to:
  - establish the principal amount of Issue 2020-2, with the aggregate size not to exceed \$110,000,000;
  - establish the structure, sub-series and pricing schedule of Issue 2020-2;
  - approve long and shorter maturity bonds in any combination of fixed rate bonds not to exceed a maturity of 25 years; and
  - authority to refund any combination of bonds optionally callable on or before January 1, 2021, based upon projected economic benefit under market conditions at time of sale.
- Based on current market conditions and for the reasons described above, authorize Issue 2020-2 via a negotiated sale.

Further analysis and recommendations about final size, structure, and other factors should be made closer to the time of sale.

- Underwriter Recommendation (see **Appendix A** for our complete Underwriter Recommendation memo):
  - In view of the continuing value Ramond James has provided as a member of THDA's underwriting syndicate, we recommend Raymond James serve as book-running senior manager for Issue 2020-2.

**EXHIBIT A:**  
**PRELIMINARY STRUCTURING ANALYSIS**

## Exhibit A: Economic Benefit Analysis

*Interest Rates as of March 6, 2020*

### Scenario 1 Taxable Refunding With PAC

#### General Information

Projected Refunding Amount	
Taxable:	110,000,000
Weighted Average Coupon of Refunded Bonds	3.582%

#### Structuring Scenario

Including PAC Bonds	Yes
Including Refunding on \$110,000,000	Yes

#### Issue Amounts

Taxable Bonds	\$	110,000,000
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#### Bond Structure

Serials 2021 - 2032	2.01%	\$	59,780,000
Term 2035	2.40%		17,420,000
PAC 2040 (3.8 yr avg life)	1.90%		32,800,000
	2.11%	\$	110,000,000

#### Benefit of Refunding (total)

Gross Present Value Savings @ 100% PSA	6,667,636
Plus: Bond Premium	1,886,000
Less: Negative Arbitrage	(1,086,694)
Less: Costs of Issuance	(950,000)

<b>Net Present Value Savings @ 100% PSA</b>	<b>6,516,942</b>
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<b>Net Present Value Savings as a Percent of Bonds</b>	<b>5.9%</b>
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<b>Net Present Value Savings @ 200% PSA</b>	<b>5,517,512</b>
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<b>Net Present Value Savings as a Percent of Bonds</b>	<b>5.0%</b>
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<b>Net Present Value Savings @ 300% PSA</b>	<b>4,790,229</b>
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<b>Net Present Value Savings as a Percent of Bonds</b>	<b>4.4%</b>
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*THDA RFPB Issue 2020-2 (Federally Taxable) Bond Issue Authorization Recommendation*  
*CSG Advisors Incorporated*  
*March 10, 2020*

**APPENDIX A:**  
**ISSUE 2020-2 UNDERWRITER RECOMMENDATION MEMO**

## MEMORANDUM

**TO:** THDA Bond Finance Committee, Office of State and Local Finance, and THDA

**FROM:** David Jones, Tim Rittenhouse, Mark Kaveny, and Eric Olson

**SUBJECT:** Underwriter Recommendation  
Residential Finance Program Bonds, Issue 2020-2 (Federally Taxable)

**DATE:** March 10, 2020

### Background

In January 2018, THDA's Bond Finance Committee selected a new underwriting team consisting of three (3) senior managers: Citigroup Global Markets, Inc., Raymond James, and RBC Capital Markets; three (3) co-managers: J.P. Morgan, Wells Fargo Securities, and a third rotating co-manager position to be held by a selling group member based on performance in the prior bond issue.

### Elevated Selling Group Member

Excluding the standing THDA managers, the following table shows the retail performance of each selling group member for Issue 2020-1, for which Robert W. Baird acted as the third co-manager based on its performance on Issue 2019-4.

**TABLE 1: RETAIL ORDERS AND ALLOTMENTS BY MEMBER: ISSUE 2020-1A & 1B**  
(thousands)

Member	Retail Orders	Final Allotments
<b>Robert W Baird</b>	<b>\$ 2,170</b>	<b>\$ 1,920</b>
Duncan Williams	0	0
FHN Financial	550	550
Wiley Bros. - Aintree	600	450
<b>TOTAL</b>	<b>\$ 3,320</b>	<b>\$ 2,920</b>

Based on final allotments on Issue 2020-1, Robert W Baird qualified as the selling group member to be elevated to co-manager for THDA's Issue 2020-2.



## Book-Running Senior Manager

Rather than select the book-running senior manager based on a simple rotation, according to the latest underwriter selection by the Bond Finance Committee, the book-running senior manager will be selected from among the two firms who did not serve as the senior book-running manager on the last issuance, based on criteria as determined by the Bond Finance Committee in consultation with the Comptroller's Office and CSG. As always, THDA reserves the right to adjust the rotation or the factors to be considered at any time and for any reason. Measures of a senior manager's performance include, but are not limited to, the following primarily qualitative characteristics:

- Bond distribution performance,
- Pricing aggressiveness,
- Ultimate execution of the sale,
- Flexibility,
- Ability to attract new investors,
- Secondary market support,
- Idea generation,
- Syndicate management, and
- Willingness to underwrite unsold bonds.

Raymond James has performed very well in each of THDA's last three bond issues, evidenced by strong institutional order flow, as well as in-state and national retail. When senior managing prior issues, the firm has shown a willingness to work the order book diligently, price bonds aggressively, and underwrite unsold bonds when necessary. Raymond James continues to successfully manage and achieve good pricing results for other housing finance agencies since senior managing THDA's Issue 2019-3 bonds.

Given their continued performance, we recommend that Raymond James serve as book-running senior manager for Issue 2020-2.

**TABLE 2: BOOK-RUNNING SENIOR MANAGERS, RECENT BOND ISSUES**

<b>Bond Issue</b>	<b>Amount of Par Bonds Issued (\$ millions)</b>	<b>Book-Running Senior Manager</b>
Issue 2018-1	\$ 99.9	Raymond James
Issue 2018-2	160.0	RBC Capital Markets
Issue 2018-3	149.9	Citigroup Global Markets
Issue 2018-4	225.0	Raymond James
Issue 2019-1	175.0	RBC Capital Markets
Issue 2019-2	200.0	Citigroup Global Markets
Issue 2019-3	150.0	Raymond James
Issue 2019-4	200.0	RBC Capital Markets
Issue 2020-1	200.0	Citigroup Global Markets

A summary of the orders and final allotments for each of the last three bond issues is provided as Exhibit 1.

**EXHIBIT 1: SUMMARY OF FINAL ORDERS AND ALLOTMENTS,  
LAST THREE (3) BOND ISSUES**

**THDA UNDERWRITER PERFORMANCE SUMMARY -- 2019-3, 2019-4, and 2020-1 (\$ thousands)**

	2019-3 (RJ lead, Wiley co) 150,000		2019-4 (RBC lead, Wiley co) 200,000		2020-1 (Citi lead, Baird co) 200,000		Combined 2019-3 to 2020-1 550,000	
	Orders	Allotments	Orders	Allotments	Orders	Allotments	Orders	Allotments
<b>Citigroup</b>								
Tennessee Retail	215	215	770	750	18,050	16,870	19,035	17,835
National Retail	1,150	760	2,380	1,880	36,015	13,600	39,545	16,240
Net Designated	0	0	0	0	438,035	141,505	438,035	141,505
Member	24,930	0	30,000	0	6,225	6,225	61,155	6,225
Total	26,295	975	33,150	2,630	498,325	178,200	557,770	181,805
<b>Raymond James</b>								
Tennessee Retail	17,195	15,490	5,805	5,255	5,840	5,495	28,840	26,240
National Retail	12,300	5,230	3,130	1,230	895	195	16,325	6,655
Net Designated	329,030	118,435	1,460	800	13,360	4,200	343,850	123,435
Member	0	0	15,000	0	41,765	0	56,765	0
Total	358,525	139,155	25,395	7,285	61,860	9,890	445,780	156,330
<b>RBC Capital Markets</b>								
Tennessee Retail	0	0	12,245	11,145	0	0	12,245	11,145
National Retail	380	175	24,155	10,890	400	200	24,935	11,265
Net Designated	0	0	389,190	149,155	7,420	4,460	396,610	153,615
Member	25,000	0	0	0	29,455	0	54,455	0
Total	25,380	175	425,590	171,190	37,275	4,660	488,245	176,025
<b>J.P. Morgan</b>								
Tennessee Retail	215	215	280	250	0	0	495	465
National Retail	2,250	1,185	3,700	2,655	1,450	650	7,400	4,490
Net Designated	0	0	0	0	2,000	0	2,000	0
Member	0	0	16,000	0	11,000	0	27,000	0
Total	2,465	1,400	19,980	2,905	14,450	650	36,895	4,955
<b>Wells Fargo</b>								
Tennessee Retail	0	0	115	115	0	0	115	115
National Retail	5,905	1,195	17,305	9,490	8,160	3,680	31,370	14,365
Member	40,000	0	0	0	20,000	0	60,000	0
Total	45,905	1,195	17,420	9,605	28,160	3,680	91,485	14,480
<b>Duncan-Williams</b>								
Tennessee Retail	100	100	0	0	0	0	100	100
National Retail	200	200	750	50	0	0	950	250
Member	0	0	0	0	1,000	0	1,000	0
Total	300	300	750	50	1,000	0	2,050	350
<b>FHN Financial</b>								
Tennessee Retail	0	0	250	250	550	550	800	800
Member	6,000	0	5,000	0	33,810	0	44,810	0
Total	6,000	0	5,250	250	34,360	550	45,610	800
<b>Robert W. Baird &amp; Co.</b>								
Tennessee Retail	10	10	1,735	1,605	1,450	1,450	3,195	3,065
National Retail	275	225	1,100	630	720	470	2,095	1,325
Member	0	0	1,000	0	4,000	0	5,000	0
Total	285	235	3,835	2,235	6,170	1,920	10,290	4,390
<b>Wiley Bros-Aintree</b>								
Tennessee Retail	1,200	1,150	0	0	600	450	1,800	1,600
Total	1,200	1,150	0	0	600	450	1,800	1,600
<b>TOTAL</b>								
Tennessee Retail	18,935	17,180	21,200	19,370	26,490	24,815	66,625	61,365
National Retail	22,460	8,970	52,520	26,825	47,640	18,795	122,620	54,590
Net Designated	329,030	118,435	390,650	149,955	460,815	150,165	1,180,495	418,555
Member	95,930	0	67,000	0	147,255	6,225	310,185	6,225
Total	466,355	144,585	531,370	196,150	682,200	200,000	1,679,925	540,735

TENNESSEE HOUSING DEVELOPMENT AGENCY  
PLAN OF FINANCING  
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2020-2  
March 23, 2020

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 2020-2 (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 \$110,000,000. The actual aggregate principal amount shall be determined by the Authorized Officer appointed by the THDA Board of Directors (the “Authorized Officer”) 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 availability of THDA’s funds, subject to the review of the Authorized Officer, 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
- (4) the amount of resources (loans and cash) available under the 1985 General Resolution to overcollateralize the Bonds, if needed, to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution.

APPLICATION  
OF PROCEEDS:

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

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

DATE, METHOD AND  
TERMS OF SALE:

The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than December 31, 2020. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock.

MATURITIES:

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

BOND INTEREST RATES:

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

REDEMPTION TERMS:

The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Authorized Officer.

LOAN INTEREST RATES AND  
COST OF ADMINISTRATION:

Due to the taxable nature of the Bonds, the blended effective interest rate on Program Loans transferred upon the refunding of outstanding bonds may exceed 112.5 basis points over the yield on such taxable bonds, from which all of the THDA's costs of administration for the Bonds may be paid.

ISSUE DESIGNATION:

As determined by the Authorized Officer, the Issue designation of these Bonds may change, depending on the order of issuance.

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY  
AUTHORIZING THE ISSUANCE AND SALE OF  
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2020-2  
March 24, 2020

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on March 23, 2020, approved a plan of financing for Residential Finance Program Bonds, Issue 2020-2 (the “Bonds”) in an aggregate par amount not to exceed \$110,000,000 (the “Plan of Financing”); and

WHEREAS, the Plan of Financing provides for the Bonds to be issued as additional series of long term and/or short term taxable bonds, with fixed interest rates, under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”) and to be sold by competitive or negotiated sale, all at the election of the Committee; and

WHEREAS, THDA on January 29, 2020, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 14, 2020, primary housing costs exceed 25% of an average Tennessee household’s gross monthly income; and

WHEREAS, THDA proposes to distribute a preliminary official statement (the “Preliminary Official Statement”) to prospective purchasers and to make available to the respective purchasers a final official statement (the “Official Statement”) with respect to the Bonds; and

WHEREAS, the Board wishes to authorize the Authorized Officer to proceed with the issuance and sale of the Bonds to provide funds for THDA’s programs in accordance with the Plan of Financing and this Resolution.

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

1. The Secretary of the Committee, or in the absence of the Secretary of the Committee, an officer designated by the Secretary of the Committee (the “Authorized Officer”), is authorized to sell the Bonds and to fix the details of the Bonds in accordance with the Plan of Financing and this Resolution.
2. The issuance and sale of the Bonds, in an aggregate par amount not to exceed \$110,000,000, with the final terms, all as determined by the Authorized Officer, upon the recommendation of THDA’s Financial Advisor, and the Executive Director, with the approval of THDA’s Bond Counsel, is hereby authorized.
3. The resolution titled “A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, \$\_\_\_\_\_ Issue 2020-2 (Federally Taxable)” (the “Supplemental Resolution”), in the form attached hereto, is adopted, subject to the provisions contained herein.
4. The Authorized Officer is authorized to (a) select the manner of sale; (b) designate multiple series or sub-series, as needed; (c) designate AMT, non-AMT or taxable components; (d) designate fixed interest rates; (e) approve a final structure for the Bonds; (f) approve a final principal amount or amounts, not to exceed a par amount of \$110,000,000; (g) authorize bond insurance, if determined necessary; (h) determine all other final terms of the Bonds, in accordance with this Resolution, the Plan of Financing and the Supplemental Resolution; (i) approve the final version of the Supplemental Resolution, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Authorized Officer, upon the recommendation of the Executive Director with the approval of Chief Legal Counsel of THDA and Bond Counsel, as the Authorized Officer shall determine to be necessary or appropriate to establish the final terms of the Bonds and their manner of sale; (j) select the senior bookrunning manager and the rotating co-manager upon the recommendation of the Financial Advisor and THDA staff; and (k) award the Bonds in accordance therewith. At the discretion of the Authorized Officer, the Bonds may include new

volume cap and any combination of amounts needed to refund all or any part of bonds or notes outstanding under the General Resolution, under the General Homeownership Program Bond Resolution or under the General Housing Finance Resolution, including, without limitation, to produce proceeds for new mortgage loans or to produce economic savings or opportunities for interest rate subsidies. In addition, the Authorized Officer, at their discretion may elect to transfer resources from the General Homeownership Program Bond Resolution and/or the General Housing Finance Resolution to the General Resolution in connection with the issuance of the Bonds upon recommendation of the Executive Director, with the approval of Bond Counsel, Financial Advisor and Chief Legal Counsel.

5. The Assistant Secretary of the Committee, with the assistance of Bond Counsel, the Financial Advisor, and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare a Preliminary Official Statement and a final Official Statement for printing and distribution in connection with the issuance and sale of the Bonds.

6. The Assistant Secretary of the Committee, with the assistance of Bond Counsel and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare all documents determined to be necessary or appropriate for the competitive sale of all or any portion of the Bonds or all documents, including, without limitation, a purchase agreement in a form appropriate for a negotiated sale, including a private placement, of all or any portion of the Bonds, as determined to be necessary or appropriate, for a negotiated sale of all or any portion of the Bonds.

7. The Authorized Officer, is hereby authorized to execute (i) the proposal submitted by the lowest bidder or bidders in the event of a competitive sale of all or any portion of the Bonds or (ii) a purchase agreement in the event of a negotiated sale, including a private placement, of all or any portion of the Bonds, the form of which has been approved by the Authorized Officer, upon the recommendation of the Financial Advisor and Bond Counsel, and (iii) to deliver the Bonds as appropriate.

8. The Authorized Officer, and the Chair, the Vice-Chair, the Executive Director, the Director of Finance and the Chief Legal Counsel of THDA and other appropriate officers and employees of THDA are hereby authorized to do and perform or cause to be done and performed, for or on behalf of THDA, all acts and things (including, without limitation, execution and delivery of documents) that constitute conditions precedent to the issuance and sale of the Bonds or that are otherwise required to be done and performed by or on behalf of THDA prior to or simultaneously with the issuance and sale of the Bonds, including without limitation, the re-naming of the Bond issue to correspond to the order of issuance by THDA.

9. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Supplemental Resolution, as the context indicates.

10. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on March 24, 2020.

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**TENNESSEE HOUSING DEVELOPMENT AGENCY**

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**A Supplemental Resolution**

**Authorizing the Sale of**

**Residential Finance Program Bonds**

**\$\_\_\_\_\_ Issue 2020-2 (Federally Taxable)**

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Adopted March 24, 2020  
as approved in its amended and supplemented form  
by the its Designated Authorized Officer  
on \_\_\_\_\_, 2020

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**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF  
RESIDENTIAL FINANCE PROGRAM BONDS  
\$\_\_\_\_\_ ISSUE 2020-2 (Federally Taxable)**

BE IT RESOLVED by the Board of Directors of the **TENNESSEE HOUSING DEVELOPMENT AGENCY** (“THDA”) as follows:

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

**Section 1.01. Short Title.** This resolution may hereafter be cited by THDA as the Issue 2020-2 Supplemental Residential Finance Program Bond Resolution.

**Section 1.02. Definitions.**

(a) All terms which are defined in Section 1.2 of the resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (the “General Resolution”) have the same meanings in this Resolution as such terms are given in Section 1.2 of the General Resolution.

(b) In addition, as used in this Resolution, unless the context otherwise requires, the following terms have the following respective meanings:

    [“*400% PSA Prepayment Amount*” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2020-2 Bonds (including Program Securities and the Transferred Program Loans) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.]

    “*Bond Purchase Agreement*” means the contract for the purchase of the Issue 2020-2 Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

    “*Business Day*” shall mean any day except for a Saturday, Sunday or any day on which banks in Tennessee or New York are required or authorized to be closed.

    “*Co-Managers*” means [J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and [Robert W. Baird & Co.]].

    “*Code*” shall mean the Internal Revenue Code of 1986, as amended.

    “*Designated Authorized Officer*” means the Secretary of the Bond Finance Committee or, in the absence of the Secretary of the Bond Finance Committee, an officer designated by the Secretary of the Bond Finance Committee.

“DTC” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Excess 2020-2 Principal Payments*” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2020-2 Bonds (including Program Securities [and the Transferred Program Loans]) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2020-2 Bonds.

“*Issue 2020-2 Bonds*” means the Issue 2020-2 Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

“*Issue Date*” means the date on which the Issue 2020-2 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on \_\_\_\_\_, 2020.

“*MSRB*” means the Municipal Securities Rulemaking Board by operation of its Electronic Municipal Market Access System.

“*Official Statement*” means the Official Statement dated \_\_\_\_\_, 2020 used in connection with the sale of the Issue 2020-2 Bonds.

[“*PAC Bonds*” means the Issue 2020-2 Bonds in the aggregate principal amount of \$\_\_\_\_\_ maturity on \_\_\_\_\_.]

[“*PAC Bonds Planned Amortization Amount*” means the cumulative amount of Issue 2020-2 PAC Bonds expected to be redeemed upon the receipt of Excess 2020-2 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

“*Preliminary Official Statement*” means the Preliminary Official Statement dated \_\_\_\_\_, 2020 used in connection with the offering of the Issue 2020-2 Bonds.

“*Rating Agency*” shall mean Moody’s Investors Service, Inc. (or any successor thereto), and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLP business (or any successor thereto).

“*Refunded Bonds*” means, the THDA bonds listed in Exhibit D hereto.

“*Resolution*” means this Supplemental Resolution adopted by THDA on November 19, 2019, as approved in its amended and supplemented form by the Designated Authorized Officer on \_\_\_\_\_, 2020.

“*Serial Bonds*” means the Issue 2020-2 Bonds which are not Term Bonds.

“*Term Bonds*” means, collectively, the Issue 2020-2A Bonds maturing \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

*“Transferred Investments”* means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2020-2 Bonds upon the refunding of the Refunded Bonds.

*“Transferred Proceeds”* means the sum of \$\_\_\_\_\_ on deposit in the Issue 2020-2 Bond Subaccount of the Loan Fund subsequent to the refunding of the Refunded Bonds.

*“Transferred Program Loans”* means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2020-2 Bonds upon the refunding of the Refunded Bonds.

*“Underwriters”* means, collectively, [Raymond James & Associates, Inc., RBC Capital Markets, LLC and Citigroup Global Markets Inc.,], their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2020-2 Bonds.

(c) Unless the context otherwise indicates, words of the masculine gender will be deemed and construed to include correlative words of feminine and neuter genders, words importing the singular number include the plural number and vice versa, and words importing persons include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms as used in this Resolution refer to this Resolution and such terms used in the form of registered bond herein refer to such bonds.

(e) Unless the context otherwise indicates, the term “Program Loan” as used herein shall include Transferred Program Loans as well as new Program Loans, if any, and, without duplication, Program Securities, and the phrase “Program Loans allocable to the Issue 2020-2 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2020-2 Bonds.

**Section 1.03. Authority for this Resolution.** This Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

## ARTICLE II

### TERMS AND ISSUANCE

**Section 2.01. Issue Amount and Designation.** In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2020-2 are hereby authorized to be issued as taxable bonds in the aggregate principal amount of \$\_\_\_\_\_. In addition to the title “Residential Finance Program Bond,” the Issue 2020-2 Bonds will bear the additional designation “Issue 2020-2 (Federally Taxable).” The Issue 2020-2 Bonds shall be issued only in fully registered form. The Issue 2020-2 Bonds will consist of \$\_\_\_\_\_ principal amount of Serial Bonds and \$\_\_\_\_\_ principal amount of Term Bonds.

**Section 2.02. Purposes.** The Issue 2020-2 Bonds are being issued (a) to refund the Refunded Bonds. As a result of such refunding, the Transferred Program Loans, [Transferred Proceeds] and the Transferred Investments will become allocated to the Issue 2020-2 Bonds, (b) if required, to pay capitalized interest on the Issue 2020-2 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2020-2 Bonds. As a result of the refunding of the Refunded Bonds, the Transferred Proceeds will become allocated to the Issue 2020-2 Bonds.

The proceeds of the Issue 2020-2 Bonds and the Transferred Proceeds and the Transferred Investments shall be applied in accordance with Article IV hereof.

**Section 2.03. Amounts, Maturities and Interest Rates.**

(a) The Issue 2020-2 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing [\_\_\_\_\_, 2020], at the rate set opposite such date in the following tables:

**Issue 2020-2 Bonds**

**Serial Bonds**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
	\$	%		\$	%

**Term Bonds**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
	\$	%

(b) Whenever the due date for payment of interest on or principal of the Issue 2020-2 Bonds or the date fixed for redemption of any Issue 2020-2 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

**Section 2.04. Denominations, Numbers and Letters.**

(a) The Issue 2020-2 Bonds maturing in each year are to be issued in denominations of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2020-2 Bonds of each series maturing in such year. The Issue

2020-2 Bonds are to be lettered “R-2,” and numbered separately from 1 consecutively upwards.

(b) The Issue 2020-2 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2020-2 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2020-2 Bonds in the aggregate principal amount of such maturity, interest rate and series. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2020-2 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2020-2 Bonds will not receive certificates representing their interest in the Issue 2020-2 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2020-2 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2020-2 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

**Section 2.05. Paying Agent.** The Trustee is hereby appointed as paying agent for the Issue 2020-2 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

**Section 2.06. Execution of Bonds.** The Issue 2020-2 Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2020-2 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2020-2 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2020-2 Bonds upon instructions from THDA to that effect.

**Section 2.07. Place of Payment; Record Date.** While the Issue 2020-2 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2020-2 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2020-2 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2020-2 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2020-2 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2020-2 Bonds in a principal amount equal to or exceeding \$1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2020-2 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

**Section 2.08. Sinking Fund Redemption Provisions.**

(a) The Issue 2020-2 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2020-2 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

**Issue 2020-2 Term Bonds due \_\_\_\_\_**

<b>Date</b>	<b>Amount Due</b>	<b>Date</b>	<b>Amount Due</b>
	\$		\$

\_\_\_\_\_  
\*Maturity

**Issue 2020-2 Term Bonds due \_\_\_\_\_**

<b>Date</b>	<b>Amount Due</b>	<b>Date</b>	<b>Amount Due</b>
	\$		\$

\_\_\_\_\_  
\*Maturity

(b) Upon the purchase or redemption of Issue 2020-2 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2020-2 Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2020-2 Bonds of such series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2020-2 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

**Section 2.09. Optional Redemption.** The Issue 2020-2 Bonds maturing on and after [\_\_\_\_\_] [other than the PAC Bonds], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after [\_\_\_\_\_] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

[[The PAC Bonds are subject to redemption at the option of THDA, either as a whole or in part at any time or on or after [\_\_\_\_\_] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when determined or selected will be deemed and is hereby set forth as the redemption date), upon notice



as provided in Article VI of the General Resolution, at the respective Redemption Prices set forth below (expressed as a percentage of the principal amount of such PAC Bonds to be redeemed), plus accrued interest to the redemption date:

<u>Period</u>	<u>PAC Bond Redemption Price</u>
[ ] to [ ]	[ ]%
[ ] and thereafter	[ ]]

**Section 2.10. Special Optional Redemption.** The Issue 2020-2 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2020-2 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans (including Program Securities and the Transferred Program Loans) allocated to the Issue 2020-2 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2020-2 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2020-2 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof [, and] (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2020-2 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2020-2 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2020-2 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10.

### **Section 2.11. Special Mandatory Redemptions.**

(a) ***Unexpended Proceeds.*** The Issue 2020-2 Bonds are subject to mandatory redemption on \_\_\_\_\_ in the event and to the extent that there are unexpended proceeds of the Issue 2020-2 Bonds on deposit in the Issue 2020-2 Subaccount of the Loan Fund on

\_\_\_\_\_]; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

The redemption price of the Issue 2020-2 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2020-2 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2020-2 Bonds then Outstanding.

(b) **[Excess 2020-2 Principal Payments (PAC Bonds)]**. The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2020-2 Principal Payments. Any Excess 2020-2 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing [\_\_\_\_\_]; provided that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2020-2 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2020-2 Bonds (including Program Securities [and the Transferred Program Loans]) are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2020-2 Principal Payments shall first be applied to redeem the PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2020-2 Bonds (including Program Securities [and the Transferred Program Loans]) are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2020-2 Principal Payments shall first be applied to redeem PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount (as set forth in "FIRST" above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2020-2 Principal Payments which is in excess of 400% PSA, and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds' proportionate amount of all Issue 2020-2 Bonds then Outstanding.

The PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC Bonds are redeemed from amounts on deposit in the Issue 2020-2 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.]

**Section 2.12. Selection by Lot.** If less than all of the Issue 2020-2 Bonds of like Series and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

**Section 2.13. Purchase of Bonds by THDA or Trustee.** Whenever moneys are available for redemption of Bonds under Sections 2.08, 2.09, 2.10 or 2.11 above, THDA or the Trustee is authorized to purchase Bonds at a price not to exceed the applicable Redemption Price.

### **ARTICLE III**

#### **SALE AND DELIVERY**

**Section 3.01. Sale.**

(a) The Issue 2020-2 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Board of Directors of THDA hereby authorizes the Designated Authorized Officer to approve the purchase price of the Issue 2020-2 Bonds and to execute the Bond Purchase Agreement.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2020-2 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2020-2 Bonds to the public is hereby authorized and approved.

(c) The Issue 2020-2 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2020-2 Supplemental Resolution.

### **ARTICLE IV**

#### **DISPOSITION OF PROCEEDS AND OTHER MONEYS**

**Section 4.01. Loan Fund; Bond Reserve Fund Requirement.** Upon receipt of the proceeds of the sale of the Issue 2020-2 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2020-2 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2020-2 Bonds. [Amounts on

deposit in the Issue 2020-2 Bond Subaccount of the Loan Fund in excess of \$\_\_\_\_\_, together with the Transferred Proceeds, shall be applied to (i) the financing of Program Loans (including Program Securities), or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.]

Amounts on deposit in the Issue 2020-2 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2020-2 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2020-2 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2020-2 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2020-2 Bonds shall not exceed 2% of the proceeds of the Issue 2020-2 Bonds.

The Bond Reserve Fund Requirement with respect to the Issue 2020-2 Bonds shall be [an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2020-2 Bonds plus the amount on deposit in the Issue 2020-2 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Requirement.]

**Section 4.02. Proceeds of Issue 2020-2 Bonds.** Proceeds of the Issue 2020-2 Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2020-2 Bond Subaccount of the Loan Fund. On the Issuance Date, \$\_\_\_\_\_ of the amount on deposit in the Issue 2020-2 Bond Subaccount of the Loan Fund [and available funds of THDA in the amount of \$\_\_\_\_\_]] shall be applied to the refunding of the Refunded Bonds. On such date, the Transferred Program Loans and the Transferred Proceeds shall be credited to the Issue 2020-2 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.

**Section 4.03. Program Loan Determinations.** No Program Loan shall be financed with proceeds of the Issue 2020-2 Bonds (including the Transferred Proceeds) unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the fee simple or leasehold estate, of real property located in the State or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

- (a) have been pooled into a Program Security; or
- (b) have been insured or guaranteed or have a commitment for insurance or guaranty by (i) the United States or any instrumentality thereof (inclusive of the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or (ii) any agency or instrumentality of the State authorized by law to issue such insurance; or
- (c) be made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value (as determined in an appraisal by or acceptable to THDA), or the sale price of the property securing the Program Loan; or
- (d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or sale price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to issue such insurance or guarantee in the State and approved by THDA, and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or sale price of the property securing the Program Loan, whichever is less.

## ARTICLE V

### FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

**Section 5.01. Form of Bonds.** Subject to the provisions of the General Resolution, the Issue 2020-2 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

**Section 5.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication.** The Issue 2020-2 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2020-2 (Federally Taxable) of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Officer

## ARTICLE VI

### MISCELLANEOUS

**Section 6.01. No Recourse Against Members or Other Persons.** No recourse may be had for the payment of principal of or premium or interest on the Issue 2020-2 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2020-2 Bonds and neither the members of THDA nor any person executing the Issue 2020-2 Bonds may be liable personally on the Issue 2020-2 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

**Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America.** The Issue 2020-2 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2020-2 Bonds. The Issue 2020-2 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2020-2 Bonds.

**Section 6.03. Delivery of Projected Cash Flow Statements.** THDA shall deliver such Projected Cash Flow Statements at the times and on the occasions set forth in the General Resolution or this Resolution.

**Section 6.04. Authorized Officers.** The Chair, Vice Chair, Executive Director, General Counsel, Deputy Executive Director and Secretary of THDA and the Secretary and any Assistant Secretary of the Bond Finance Committee and any other proper officer of THDA, be, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the General Resolution and the Official Statement.

**Section 6.05. Authorized Trustee.** THDA authorizes and directs the Trustee to perform any and all acts contemplated to be performed by the Trustee pursuant to the terms and provisions of this Resolution.

**Section 6.06. [Reserved].**

## **Section 6.07. Continuing Disclosure Undertaking.**

(a) THDA shall deliver to the MSRB, within 210 days after the end of each Fiscal Year:

(i) a copy of the annual financial statements of THDA prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board; and

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

The information described in this subsection (a) may be provided by specific reference to documents (including official statements, to the extent the official statements include the information described in this subsection (a)) previously provided to the MSRB or filed with the Securities and Exchange Commission.

If unaudited financial statements are provided as part of the information required to be delivered under this subsection (a) within the time period specified above, THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB.

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2020-2 Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity provider, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax

status of the Issue 2020-2 Bonds, or other material events affecting the tax status of the Issue 2020-2 Bonds;

(vii) modifications to rights of the holders of the Issue 2020-2 Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2020-2 Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA);

(xiii) The consummation of a merger, consolidation or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) Incurrence of a financial obligation of THDA, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of THDA, any of which affect Bondholders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of THDA, any of which reflect financial difficulties.

For the purposes of the events identified in clauses (xv) and (xvi) above, the term “financial obligation” means: (A) a debt obligation; (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been



provided to the MSRB consistent with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”).

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2020-2 Bonds or defeasance of any Issue 2020-2 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2020-2 Bonds pursuant to the Resolution.

(c) THDA shall give notice to the Trustee and the MSRB in a timely manner of any failure by THDA to provide any information required pursuant to subsection (a) above within the time limit specified therein.

(d) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2020-2 Bonds whether or not the Rule applies to such Issue 2020-2 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2020-2 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of the Rule as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2020-2 Bonds or (B) the holders of the Issue 2020-2 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA’s obligations with respect to the beneficial owners of the Issue 2020-2 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2020-2 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2020-2 Bonds exclusively by an action

for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

**Section 6.08. Confirmation and Adjustment of Terms by Designated Authorized Officer.** The terms of the Issue 2020-2 Bonds are herein established subject to confirmation by the Designated Authorized Officer upon the approval of the sale of the Issue 2020-2 Bonds by the Designated Authorized Officer. The Designated Authorized Officer is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2020-2 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Designated Authorized Officer determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

**Section 6.09. Effective Date.** This Resolution will take effect immediately.

**EXHIBIT A**

**BOND PURCHASE AGREEMENT**

**EXHIBIT B**

**[PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS]**

**Date**

**PAC Bonds**  
**Planned Amortization Amount**

**[[400]% PSA PREPAYMENT AMOUNTS  
FOR ISSUE 2020-2 BONDS]**

<b>Date</b>	<b>Cumulative Amount</b>	<b>Date</b>	<b>Cumulative Amount</b>
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**EXHIBIT C**

**FORM OF BOND**

**REGISTERED**

**R-2-[1]**

**\$[\_\_\_\_\_]**

**TENNESSEE HOUSING DEVELOPMENT AGENCY  
RESIDENTIAL FINANCE PROGRAM BOND  
ISSUE 2020-2 ( FEDERALLY TAXABLE)**

<b>Interest Rate</b>	<b>Dated Date</b>	<b>Maturity Date</b>	<b>Cusip</b>
[____]%	[____], 2020	[_____]	880461[_____]

**REGISTERED OWNER:CEDE & CO.**

**PRINCIPAL SUM: [\_\_\_\_\_]**

**TENNESSEE HOUSING DEVELOPMENT AGENCY** (hereinafter sometimes called “THDA”), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the “State”), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA’s obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing [\_\_\_\_\_, 2020]. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

This Bond is one of the bonds of THDA designated “Residential Finance Program Bonds” (herein called the “Bonds”) authorized to be issued in various series under and pursuant to the Tennessee Housing Development Agency Act, Sections 13-23-101 et seq., of the Tennessee Code Annotated, as amended (herein called the “Act”), a resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (herein called the “General Resolution”) and a supplemental resolution authorizing each issue. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series of various principal amounts, may bear interest at different rates and subject to the provisions thereof, may otherwise vary. All Bonds

issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This bond is one of a series of bonds additionally designated “Issue 2020-2” (herein called the “Bonds”) issued in the aggregate principal amount of \$\_\_\_\_\_ under the General Resolution, a resolution of THDA adopted on March 24, 2020, as approved in its amended and supplemented form by the Designated Authorized Officer on \_\_\_\_\_, 2020 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by THDA with the written consent of the holders of at least two-thirds in principal amount of the Bonds then outstanding, and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding. If such modification or amendment will by its terms not take effect so long as any Bonds of any specified like series and maturity remain outstanding, however, the consent of the holders of such Bonds shall not be required. In addition, certain other modifications or amendments to the Resolutions can be made which are not contrary to or inconsistent with the Resolutions without the consent of the Bondholders.

The holder of this Bond shall have no right to enforce the provisions of the Resolutions, to institute actions to enforce the provisions of the Resolutions or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the General Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the General Resolution, the principal of all the Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

This Bond is transferable, as provided in the Resolutions, only upon the books of THDA kept for that purpose at the office of the Trustee by the registered owner hereof in person or by such owner’s attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner’s attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same subseries and maturity shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. THDA and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving

payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This Bond is a special limited obligation of THDA payable solely from the revenues and assets pledged therefor pursuant to the General Resolution.

The Bonds are issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds are subject to optional, mandatory and sinking fund redemption as described in the Resolutions.

This Bond does not constitute a debt, liability or other obligation of the State or any political subdivision thereof other than THDA and neither the State nor any political subdivision thereof shall be obligated to pay the principal of the Bonds or the interest thereon. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Resolutions until the Certificate of Authentication hereon shall have been signed by the Trustee.

The Act provides that neither the members of THDA nor any person executing this Bond shall be liable personally hereon or shall be subject to any personal liability or accountability by reason of its execution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution or statutes of the State and the Resolutions to exist, to have happened or to have been performed precedent to or in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Bonds, together with all other indebtedness, of THDA, is within every debt and other limit prescribed by law.

[Remainder of page intentionally left blank]



IN WITNESS WHEREOF, TENNESSEE HOUSING DEVELOPMENT AGENCY has caused this Bond to be executed in its name by the manual or facsimile signature of its Chair and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of its Executive Director, all as of the dated date shown above.

TENNESSEE HOUSING DEVELOPMENT  
AGENCY

By \_\_\_\_\_  
Michael L. Hedges  
Chair  
[SEAL]

Attest:

By \_\_\_\_\_  
Ralph M. Perrey  
Executive Director

## **CERTIFICATE OF AUTHENTICATION**

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2020-2 (Federally Taxable) of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Signatory

Dated: \_\_\_\_\_, 2020

## ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with the right of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - _____ (Cust)	Custodian _____ (Minor)
	under Uniform Gifts to Minors
	Act _____ (State)

Additional Abbreviations may also be used though  
not in the above list

## ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney to transfer the said Bond on the bond register, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Social Security Number or  
Employer Identification  
Number of Transferred: \_\_\_\_\_

Signature guaranteed: \_\_\_\_\_

NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever.

**EXHIBIT D**  
**REFUNDED BONDS**



# Tennessee Housing Development Agency

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

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## **MEMORANDUM**

**DATE:** March 12, 2020

**TO:** THDA Bond Finance Committee and Board

**FROM:** Lynn Miller  
Chief Legal Counsel

**SUBJECT:** Authorization of General Residential Finance Program Bonds, Issue 2020-3  
Tax-Exempt and Federally Taxable

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## **DOCUMENTS FOR BOND FINANCE COMMITTEE CONSIDERATION**

Attached please find the following documents in connection with the requested authorization of the THDA bond issue, Issue 2020-3:

1. Memo from CSG Advisors Incorporated ("CSG") recommending authorization in the maximum principal amount of \$200,000,000 for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013. This bond issue is expected to include an economic refunding component and a replacement refunding component. Staff expects this bond issue to be priced in early May, 2020, with closing prior to June 30, 2020, depending on THDA loan production. The final size and structure will be determined by the Authorized Officer closer to pricing.
2. THDA Plan of Financing for Issue 2020-3 Residential Finance Program Bonds, which the Bond Finance Committee will be asked to approve.
3. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2020-3, that includes the form of Supplemental Resolution for Issue 2020-3 and that authorizes the referenced bond issue and delegates authority to the Authorized Officer to determine all final terms and conditions. The Bond Finance Committee will be asked to recommend this resolution and the transaction to the THDA Board of Directors.
4. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing Reimbursement of THDA from Proceeds of Issue 2020-3 in an amount not to exceed \$150,000,000. This is a larger amount than usual, but timing of a new bond issue is a bit uncertain under current market conditions, so this gives flexibility to continue to purchase mortgage loans until a new bond issue can be executed. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.

### COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2020-3 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the “Debt Management Policy”). In particular, Issue 2020-3 complies with the Debt Management Policy as follows:

Part III - by allowing THDA “...to maintain a steadily available supply of funds to finance its mortgage loan programs at cost levels that provide competitive, fixed interest rate mortgage loans that benefit low and moderate income families, while maintaining or improving THDA’s overall financial strength and flexibility...”

Part VIII - the issuance of this debt will not cause THDA to exceed the statutory debt limit contained in TCA Section 13-23-121.

Part X - the factors and items listed to be considered in planning, structuring and executing a bond issue have been and will be considered as planning, structuring and executing this bond issue moves forward.

Part XIV - serial bonds, terms bonds and PAC bonds are being considered for the structure of the bond issue.

Parts XV – authorization of a potential refunding component is expected to result in present value savings and will further THDA program objectives of providing competitive, fixed interest rate mortgage loans that benefit low and moderate income families.

Parts XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2020-3 does not include interest rate and forward purchase agreements, conduit debt, or variable rate debt.

### SENIOR BOOKRUNNING MANAGER AND ROTATING CO-MANAGER

Although the Bond Finance Committee moved to a “soft” rotation for the senior bookrunning manager, staff expects that RBC Capital Markets will be recommended for the senior bookrunning manager based on past performance prior to Issue 2020-2. Staff, however, recommends that the Authorized Officer be authorized to change the selection of senior bookrunning manager based on performance with respect to Issue 2020-2.

In addition, the selling group member to be appointed to serve as rotating co-manager for Issue 2020-3 cannot be determined until Issue 2020-2 is priced. Staff also recommends that the Authorized Officer be authorized to select the rotating co-manager for Issue 2020-3 based on a recommendation from CSG and THDA staff.

### SELLING GROUP

Duncan-Williams, Inc.  
FTN Financial  
Robert W. Baird  
Wiley Brothers Aintree Capital, LLC.

LEM/ap

## MEMORANDUM

**TO:** THDA Board of Directors and THDA Bond Finance Committee

**FROM:** Tim Rittenhouse, David Jones, Mark Kaveny & Eric Olson

**SUBJECT:** Bond Issue Authorization Recommendation

**RE:** Residential Finance Program Bonds, Issue 2020-3 (Non-AMT and Federally Taxable)

**DATE:** March 10, 2020

### Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a \$200 million Issue 2020-3 under the Residential Housing Finance Program Bond Resolution as new money bonds on both a tax-exempt and taxable basis to fund THDA's mortgage loan pipeline. The exact issue size will be evaluated closer to the bond sale date based on THDA's pipeline and interest rates at the time.
- Given THDA's increase in loan production the last several years, coupled with limited private activity volume cap for tax-exempt bonds, CSG recommends including taxable mortgage revenue bonds in addition to Non-AMT mortgage revenue bonds as THDA successfully issued in Issue 2020-1.
- Issue 2020-1 is scheduled to close in late March 2020, and THDA expects Issue 2020-1 to be fully committed by the end of April or early May, at which time THDA will begin committing against Issue 2020-3.
- Issue 2020-3 is expected to be sold in May or June 2020 and provide funding for late spring and summer 2020 production.

### Current Market Conditions

On February 25<sup>th</sup>, two weeks ago, THDA very successfully priced Issue 2020-1. Since that time, fear over the impact of the coronavirus on both global and domestic economic activity triggered drastic investor demand for safety as evidenced by the almost daily record lows across almost the entire US Treasury bond yield curve. Since pricing Issue 2020-1, the 10-year US Treasury bond yield has plummeted from 1.33% to 0.54% as of March 9<sup>th</sup>, and the 30-year treasury reducing in yield from 1.80% to 0.99% over the same period. High-quality tax-exempt Municipal Market Data Index ("MMD") yields over the same period also moved lower from their February 25<sup>th</sup> levels, with the 10- and 30-year yields down from 0.98% and 1.57%, to 0.78% and 1.38%, respectively (as of the March 9<sup>th</sup> close).

As concerns mounted over the economic impact of the coronavirus over recent weeks, in an attempt to support the markets the Federal Reserve's Open Market Committee (FOMC) announced an emergency 0.50% cut in the federal funds rate on Tuesday, March 3<sup>rd</sup>. The effect of the rate cut is widely seen to have added more fear among market participants, heightening worries of a recession triggered by disruption of manufacturing supply chains, the travel industry, and consumer confidence. Looking ahead, investors are anticipating two additional rate cuts over the coming months which has caused the 1-year US Treasury yield to decline an extraordinary 0.99% since pricing Issue 2020-1 just two weeks ago.

## **Background**

On February 25, 2020, THDA priced its Residential Finance Program Bonds, Issue 2020-1A (Non-AMT) and 2020-1B (Taxable) each totaling \$100 million, or \$200 million in aggregate, all of which was available to purchase new mortgage loans. As of March 5<sup>th</sup>, approximately \$89.6 million of Issue 2020-1 proceeds were committed.

When the Issue 2020-1 proceeds are exhausted, THDA will begin to purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2020-3. Beginning sometime in late April or early May 2020, THDA anticipates building a pipeline of mortgage loans to be funded with Issue 2020-3. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2020-3 in June 2020.

In a separate memo to the Board of Directors and Bond Finance Committee, CSG recommended Issue 2020-2 as a taxable refunding of various bonds with optional redemption dates throughout 2020 and as late as January 1, 2021. Issue 2020-3 is expected to replacement refund prior bonds in order to preserve private activity volume cap, but assuming that Issue 2020-2 is approved and executed first, Issue 2020-3 would only include a replacement refunding component and not an economic refunding component.

## **Proposed Sizing and Structure for Issue 2020-3**

Authorizing a bond issue of not to exceed \$200 million is expected to allow THDA to continue purchasing mortgage loans throughout the 2<sup>nd</sup> quarter of 2020 and into the 3<sup>rd</sup> quarter. The ultimate size of the issue will depend on mortgage loan demand until pricing, on interest rates, and on an assessment of negative reinvestment costs (the cost of investing bond proceeds at lower interest rates than the bond interest rate before the proceeds can be used to purchase mortgage loans).

Due to several years of significantly greater demand for THDA's Great Choice mortgage program, limited private activity volume cap required to issue tax-exempt mortgage revenue bonds, and record-low taxable interest rates currently available, it is highly beneficial that the structure for Issue 2020-1 include a significant portion of taxable bonds which do not require volume cap. Issue 2020-1 included \$100 million of taxable bonds (50% of the total) which were very well received by investors, saving THDA over \$100 million (after bond premium) of volume cap, and forecasted to earn more ongoing income to THDA than as if the transaction were 100% tax-exempt.

Based on current market conditions and investor appetite, structuring Issue 2020-3 to include both taxable and tax-exempt planned amortization class bonds ("PACs") to be sold at a premium would significantly lower the issue's bond yield. PACs are often priced at a premium and most frequently designed with an expected five-year average life, assuming future prepayment speeds over a broad range. Prepayments up to 100% PSA would be directed first to redeeming the PACs until they are completely retired. Due to the



projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with the same maturity.

A possible concern with the use of PACs is that actual prepayments could occur at a sustained speed below 100% PSA, causing the PACs to remain outstanding longer than projected and potentially extending the period during which THDA would pay the high coupon on these bonds. However, THDA's average historical prepayment speed is greater than 150% PSA. Also, if the actual sustained prepayment speed is less than 100% PSA, at its option THDA could choose to redeem the PACs up to 100% PSA experience with other available funds in order to maintain the short average life of the PACs.

Two alternative bond structures are shown in Exhibit A. In each case after calculating an estimated bond yield, the spread for tax compliance purposes between the mortgage loan yield and the bond yield was determined. Then, the amount of zero participation loans needed to bring the issue up to an aggregate spread (taxable and tax-exempt combined) of 1.125% was computed, based on current bond interest rates and THDA's current mortgage rates.

- **Scenario 1** shows a level-debt issue with no PAC bonds, refunding component or overcollateralization and an aggregate yield spread (combined spread of the entire issue, taxable and tax-exempt) of 1.172%, a greater amount of spread than if the issue was entirely tax-exempt. No zero participation loans are required to be created.
- **Scenario 2** includes both non-AMT and taxable PAC bonds. The lower yield on the PAC reduces the overall bond yield by 0.26% and as such generates an aggregate yield spread of 1.428%. The yield spread for the tax-exempt portion of the transaction is 1.094% and as such, THDA is not required to create zero participation loans under this scenario.

Each of the scenarios summarized above and listed in Exhibit B assume that after all Issue 2020-1 proceeds were committed, THDA offered interest rates of 3.75% and 3.25% for its Great Choice and Brave Choice loan programs. It should be noted that THDA has accumulated approximately \$110 million in zeros that could be used to subsidize new bond issues, such as Issue 2020-3. The amount of zero participation loans that THDA accumulated helps mitigate for THDA the risk of higher bond rates on future transactions, particularly with fewer economic refunding opportunities over the next few years than recent past. At the same time, it is probably useful to begin consuming a portion of the zeros, given the amount that has built up over the last several years.

As the financing is developed, production needs will be refined, and as the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds, or super-sinker bonds to assess if further refinement of the structure could offer improvement in the pricing of Issue 2020-3.

Issuing the Issue 2020-3 Bonds under the 2013 General Resolution avoids a state moral obligation pledge on the bonds.

Given the success of THDA's production levels, with calendar year 2019 loan production of over \$700 million, THDA is issuing tax-exempt bonds at a faster pace than it receives annual allocations of private activity volume cap, which in recent years have totaled around \$450 million annually. Beginning with Issue 2019-2 and each issuance since, CSG assisted THDA with "replacement refunding" portions of bonds that THDA redeems in its normal course of monthly bond redemptions and using such eligible amounts as volume cap against THDA's bond issues (Issues 2019-2, 2019-3, 2019-4, and 2020-1). By implementing this strategy, THDA has preserved \$110 million of volume cap in those four issues alone and expects to continue using such an approach in future bond issues.

## **Method of Sale**

In the current market for housing bonds THDA will continue to benefit from offering its bonds via negotiated sale, rather than by competitive bid. Factors favoring a negotiated sale include:

Retail Sales / In-State Selling Group – THDA has enjoyed strong demand for its bonds among Tennessee retail investors with retail buyers often helping to set prices for institutions. Underwriting syndicate members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA's issues. Bonds not subject to the AMT have been and are expected to continue to appeal to retail investors. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA's interest during a negotiated sale. When housing bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

Market Volatility – A competitively bid bond issue requires that the timing and, to a significant extent, the final bond structure be established well in advance of the bid date. Continued market volatility and low housing bond volumes make it unlikely THDA could structure its bonds to obtain the lowest possible cost of debt in advance of pricing. A negotiated sale provides flexibility to price on shorter notice, to adjust the bond structure through the pricing period in response to market factors and investor indications, or to delay or accelerate the pricing as conditions warrant.

Complexity and Credit – While investors are familiar with bonds issued by housing finance agencies, a negotiated sale provides greater opportunity to communicate with investors about the more complex structure, program experience, and the credit features of THDA's bonds.

Bond Structure – Issue 2020-3 is expected to include both taxable and tax-exempt bonds which is more complex than a traditional housing bond, and as such, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater to the interests of certain investors, such as those interested in the PACs, to add additional maturities or features, or to use bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in a number of THDA's offerings in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

Pricing Oversight – THDA's policies and practices for negotiated bond sales – including the review of co-manager price views, consensus scales, comparable pricings, historic and current spreads, other current market data, and concurrent monitoring by the Office of State and Local Finance and CSG – provide THDA with the basis for confirming that its bonds are priced fairly at time of sale. In advance of the offering CSG also provides a pre-pricing memo with information related to general bond market conditions, the housing bond market, and projected interest rate levels based on recent housing bond issues, previous THDA offerings, pending statistical releases, and candid independent discussions with uninvolved third-party underwriting desks. In order to manage incentives for the syndicate members and investors, CSG also advises on syndicate rules and procedures, proposed holdbacks of specific maturities, and allotments of bonds.

## Recommendations

CSG Advisors recommends that the THDA Board of Directors and THDA Bond Finance Committee:

- Authorize the sale and issuance of Residential Finance Program Bonds, Issue 2020-3, with a par amount not to exceed \$200 million;
- Delegate to the Bond Finance Committee or Authorizing Officer authority to:
  - Establish the principal amount of Issue 2020-3, with a size not to exceed \$200 million;
  - Establish the structure, sub-series and pricing schedule of Issue 2020-3 including the issuance of both tax-exempt and federally taxable bonds; and
  - Approve fixed rate serial and term bonds in any combination with maturities no longer than 32 years.
- Based on current market conditions and for the reasons described above, authorize Issue 2020-3 via a negotiated sale.
- Underwriter Recommendation (see **Appendix A** for our complete Underwriter Recommendation memo):
  - In view of the continuing value RBC Capital Markets has provided as a member of THDA's underwriting syndicate, we recommend RBC Capital Markets serve as book-running senior manager for Issue 2020-3.

**EXHIBIT A:**  
**PRELIMINARY STRUCTURING ANALYSIS**

**Tennessee Housing Development Agency**  
**Taxable Bond Structure Analysis**  
**March 11, 2020**

			<b>Scenario 1</b>		<b>Scenario 2</b>	
			<b>50% Taxable /</b>		<b>50% Taxable /</b>	
			<b>Without PAC</b>		<b>With PAC</b>	
<b>Structuring Scenario</b>			3/9/2020		3/9/2020	
Interest Rate Scale as of Date			No		Yes	
Including PAC Bonds			NA		5.50	
Average Life of PAC Years (100-400% PSA)			NA		2020 - 2050	
PAC Structure			No		No	
Including Over-Collateralization						
<b>Issue Amounts</b>						
New Money	Non-AMT		100,000,000		100,000,000	
New Money	<b>Taxable</b>		<b>100,000,000</b>		<b>100,000,000</b>	
TOTAL			100,000,000		200,000,000	
<b>Bond Structure</b>		Coupon / Yield				
Serials 2020-2032	Non-AMT	.75 - 1.80 %	29,880,000	15%	31,095,000	16%
Term 2035	Non-AMT	2.100 %	9,145,000	5%	9,140,000	5%
Term 2040	Non-AMT	2.350 %	17,170,000	9%	17,125,000	9%
Term 2045	Non-AMT	2.450 %	20,105,000	10%	13,250,000	7%
Term 2050	Non-AMT	2.550 %	23,700,000	12%	-	0%
PAC Term	Non-AMT	3.50 / 1.30 %	-	0%	29,390,000	15%
			100,000,000	50%	100,000,000	50%
Serials 2020-2033	<b>Taxable</b>	1.27 - 2.40 %	29,880,000	15%	31,095,000	16%
Term 2035	<b>Taxable</b>	2.440 %	9,145,000	5%	9,140,000	5%
Term 2040	<b>Taxable</b>	2.750 %	17,170,000	9%	17,125,000	9%
Term 2045	<b>Taxable</b>	2.850 %	20,105,000	10%	13,250,000	7%
Term 2050	<b>Taxable</b>	2.950 %	23,700,000	12%	-	0%
PAC Term	<b>Taxable</b>	3.75 / 1.95 %	-	0%	29,390,000	15%
			<b>100,000,000</b>	<b>50%</b>	<b>100,000,000</b>	<b>50%</b>
<b>Aggregate Yield</b>						
Mortgage Yield (1)			3.625	%	3.625	%
Bond Yield			2.453	%	2.197	%
<b>Yield Spread</b>			<b>1.172</b>		<b>1.428</b>	
<b>Taxable Yield</b>						
Mortgage Yield (1)			4.306	%	4.230	%
Bond Yield			2.665	%	2.434	%
<b>Yield Spread</b>			<b>1.641</b>		<b>1.796</b>	
<b>Tax-Exempt Yield</b>						
Mortgage Yield (1)			2.966	%	3.055	%
Bond Yield			2.242	%	1.961	%
<b>Yield Spread</b>			<b>0.724</b>		<b>1.094</b>	
<b>Zero Percent Loans (Consumed) / Created</b>			-		-	

(1) Based on assumed Great Choice Loans & Brave Choice Loans as summarized below with 5.00% 2nd lien downpayment / closing cost assistance loans.

Program	Assumed Origination	Mortgage Rate
Great Choice	196,000,000	3.750%
Brave Choice	4,000,000	3.250%

*THDA RFPB Issue 2020-3 Bond Issue Authorization Recommendation*  
*CSG Advisors Incorporated*  
*March 10, 2020*

**APPENDIX A:**  
**ISSUE 2020-3 UNDERWRITER RECOMMENDATION MEMO**

## MEMORANDUM

**TO:** THDA Bond Finance Committee, Office of State and Local Finance, and THDA

**FROM:** David Jones, Tim Rittenhouse, Mark Kaveny, and Eric Olson

**SUBJECT:** Underwriter Recommendation  
Residential Finance Program Bonds, Issue 2020-3 (Non-AMT and Federally Taxable)

**DATE:** March 10, 2020

### Background

In January 2018, THDA's Bond Finance Committee selected a new underwriting team consisting of three (3) senior managers: Citigroup Global Markets, Inc., Raymond James, and RBC Capital Markets; three (3) co-managers: J.P. Morgan, Wells Fargo Securities, and a third rotating co-manager position to be held by a selling group member based on performance in the prior bond issue.

### Elevated Selling Group Member

Excluding the standing THDA managers, the following table shows the retail performance of each selling group member for Issue 2020-1, for which Robert W. Baird acted as the third co-manager based on its performance on Issue 2019-4.

**TABLE 1: RETAIL ORDERS AND ALLOTMENTS BY MEMBER: ISSUE 2020-1A & 1B**  
(thousands)

Member	Retail Orders	Final Allotments
<b>Robert W Baird</b>	<b>\$ 2,170</b>	<b>\$ 1,920</b>
Duncan Williams	0	0
FHN Financial	550	550
Wiley Bros. - Aintree	600	450
<b>TOTAL</b>	<b>\$ 3,320</b>	<b>\$ 2,920</b>

Based on final allotments on Issue 2020-1, Robert W Baird qualified as the selling group member to be elevated to co-manager for THDA's Issue 2020-2 taxable refunding transaction, as discussed in the Underwriter Recommendation memo for Issue 2020-2. Given the orders that Robert W Baird brought on Issue 2020-1, and the minimal to lack of orders from the rest of the selling group members, we recommend that in addition to being elevated for Issue 2020-2, that Robert W. Baird be elevated for Issue 2020-3 as well.

## Book-Running Senior Manager

Rather than select the book-running senior manager based on a simple rotation, according to the latest underwriter selection by the Bond Finance Committee, the book-running senior manager will be selected from among the two firms who did not serve as the senior book-running manager on the last issuance, based on criteria as determined by the Bond Finance Committee in consultation with the Comptroller's Office and CSG. As always, THDA reserves the right to adjust the rotation or the factors to be considered at any time and for any reason. Measures of a senior manager's performance include, but are not limited to, the following primarily qualitative characteristics:

- Bond distribution performance,
- Pricing aggressiveness,
- Ultimate execution of the sale,
- Flexibility,
- Ability to attract new investors,
- Secondary market support,
- Idea generation,
- Syndicate management, and
- Willingness to underwrite unsold bonds.

RBC Capital Markets continues to perform very well when selected as the book-running senior manager, evidenced by aggressive pricing of Issue 2019-4, the last issue RBC senior-managed for THDA. When senior managing prior issues, the firm has shown a willingness to work the order book diligently, price bonds aggressively, and underwrite unsold bonds when necessary. CSG has worked with RBC on numerous issuances for other HFAs in the months since Issue 2019-4 and RBC continues to successfully manage and achieve good pricing results for other clients, and their marketing efforts to investors often brings new buyers into the housing bond market.

Given their continued performance, we recommend that RBC Capital Markets serve as book-running senior manager for Issue 2020-3.

**TABLE 2: BOOK-RUNNING SENIOR MANAGERS, RECENT BOND ISSUES**

Bond Issue	Amount of Par Bonds Issued (\$ millions)	Book-Running Senior Manager
Issue 2018-1	\$ 99.9	Raymond James
Issue 2018-2	160.0	RBC Capital Markets
Issue 2018-3	149.9	Citigroup Global Markets
Issue 2018-4	225.0	Raymond James
Issue 2019-1	175.0	RBC Capital Markets
Issue 2019-2	200.0	Citigroup Global Markets
Issue 2019-3	150.0	Raymond James
Issue 2019-4	200.0	RBC Capital Markets
Issue 2020-1	200.0	Citigroup Global Markets

*\*Issue 2020-2 is recommended to be senior managed by Raymond James.*

A summary of the orders and final allotments for each of the last three bond issues is provided as Exhibit 1.



**EXHIBIT 1: SUMMARY OF FINAL ORDERS AND ALLOTMENTS,  
LAST THREE (3) BOND ISSUES**

**THDA UNDERWRITER PERFORMANCE SUMMARY -- 2019-3, 2019-4, and 2020-1 (\$ thousands)**

	2019-3 (RJ lead, Wiley co) 150,000		2019-4 (RBC lead, Wiley co) 200,000		2020-1 (Citi lead, Baird co) 200,000		Combined 2019-3 to 2020-1 550,000	
	Orders	Allotments	Orders	Allotments	Orders	Allotments	Orders	Allotments
<b>Citigroup</b>								
Tennessee Retail	215	215	770	750	18,050	16,870	19,035	17,835
National Retail	1,150	760	2,380	1,880	36,015	13,600	39,545	16,240
Net Designated	0	0	0	0	438,035	141,505	438,035	141,505
Member	24,930	0	30,000	0	6,225	6,225	61,155	6,225
Total	26,295	975	33,150	2,630	498,325	178,200	557,770	181,805
<b>Raymond James</b>								
Tennessee Retail	17,195	15,490	5,805	5,255	5,840	5,495	28,840	26,240
National Retail	12,300	5,230	3,130	1,230	895	195	16,325	6,655
Net Designated	329,030	118,435	1,460	800	13,360	4,200	343,850	123,435
Member	0	0	15,000	0	41,765	0	56,765	0
Total	358,525	139,155	25,395	7,285	61,860	9,890	445,780	156,330
<b>RBC Capital Markets</b>								
Tennessee Retail	0	0	12,245	11,145	0	0	12,245	11,145
National Retail	380	175	24,155	10,890	400	200	24,935	11,265
Net Designated	0	0	389,190	149,155	7,420	4,460	396,610	153,615
Member	25,000	0	0	0	29,455	0	54,455	0
Total	25,380	175	425,590	171,190	37,275	4,660	488,245	176,025
<b>J.P. Morgan</b>								
Tennessee Retail	215	215	280	250	0	0	495	465
National Retail	2,250	1,185	3,700	2,655	1,450	650	7,400	4,490
Net Designated	0	0	0	0	2,000	0	2,000	0
Member	0	0	16,000	0	11,000	0	27,000	0
Total	2,465	1,400	19,980	2,905	14,450	650	36,895	4,955
<b>Wells Fargo</b>								
Tennessee Retail	0	0	115	115	0	0	115	115
National Retail	5,905	1,195	17,305	9,490	8,160	3,680	31,370	14,365
Member	40,000	0	0	0	20,000	0	60,000	0
Total	45,905	1,195	17,420	9,605	28,160	3,680	91,485	14,480
<b>Duncan-Williams</b>								
Tennessee Retail	100	100	0	0	0	0	100	100
National Retail	200	200	750	50	0	0	950	250
Member	0	0	0	0	1,000	0	1,000	0
Total	300	300	750	50	1,000	0	2,050	350
<b>FHN Financial</b>								
Tennessee Retail	0	0	250	250	550	550	800	800
Member	6,000	0	5,000	0	33,810	0	44,810	0
Total	6,000	0	5,250	250	34,360	550	45,610	800
<b>Robert W. Baird &amp; Co.</b>								
Tennessee Retail	10	10	1,735	1,605	1,450	1,450	3,195	3,065
National Retail	275	225	1,100	630	720	470	2,095	1,325
Member	0	0	1,000	0	4,000	0	5,000	0
Total	285	235	3,835	2,235	6,170	1,920	10,290	4,390
<b>Wiley Bros-Aintree</b>								
Tennessee Retail	1,200	1,150	0	0	600	450	1,800	1,600
Total	1,200	1,150	0	0	600	450	1,800	1,600
<b>TOTAL</b>								
Tennessee Retail	18,935	17,180	21,200	19,370	26,490	24,815	66,625	61,365
National Retail	22,460	8,970	52,520	26,825	47,640	18,795	122,620	54,590
Net Designated	329,030	118,435	390,650	149,955	460,815	150,165	1,180,495	418,555
Member	95,930	0	67,000	0	147,255	6,225	310,185	6,225
Total	466,355	144,585	531,370	196,150	682,200	200,000	1,679,925	540,735

TENNESSEE HOUSING DEVELOPMENT AGENCY  
PLAN OF FINANCING  
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2020-3  
March 23, 2020

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 2020-3 (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 Authorized Officer appointed by the THDA Board of Directors (the “Authorized Officer”) 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 Authorized Officer, for the purpose of providing for the payment of the costs of issuance of the Bonds, paying capitalized interest with respect to the Bonds, funding the Bond Reserve Fund, providing additional security for the Bonds, and achieving a lower rate of interest on the Program Loans; and
- (6) the amount of resources (loans and cash) available under the 1985 General Resolution to overcollateralize the Bonds, if needed, to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution.

APPLICATION  
OF PROCEEDS:

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

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

DATE, METHOD AND  
TERMS OF SALE:

The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than September 30, 2020. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock.

MATURITIES:

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

BOND INTEREST RATES:

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

REDEMPTION TERMS:

The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Authorized Officer.

LOAN INTEREST RATES AND  
COST OF ADMINISTRATION:

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

ISSUE DESIGNATION:

As determined by the Authorized Officer, the Issue designation of these Bonds may change, depending on the order of issuance.

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY  
AUTHORIZING THE ISSUANCE AND SALE OF  
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2020-3  
March 24, 2020

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on March 23, 2020, approved a plan of financing for Residential Finance Program Bonds, Issue 2020-3 (the “Bonds”) in an aggregate par amount not to exceed \$200,000,000 (the “Plan of Financing”); and

WHEREAS, the Plan of Financing provides for the Bonds to be issued as additional series of long term and/or short term tax-exempt and/or taxable bonds, with fixed interest rates, under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”) and to be sold by competitive or negotiated sale, all at the election of the Authorized Officer; and

WHEREAS, THDA on January 29, 2020, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 14, 2020, primary housing costs exceed 25% of an average Tennessee household’s gross monthly income; and

WHEREAS, pursuant to Section 147 of the Internal Revenue Code of 1986, as amended (the “Code”), THDA must conduct a public hearing regarding the issuance of the Bonds and submit the results of the public hearing to the Governor of the State of Tennessee for approval; and

WHEREAS, THDA proposes to distribute a preliminary official statement (the “Preliminary Official Statement”) to prospective purchasers and to make available to the respective purchasers a final official statement (the “Official Statement”) with respect to the Bonds; and

WHEREAS, the Board wishes to authorize the Committee to proceed with the issuance and sale of the Bonds to provide funds for THDA’s programs in accordance with the Plan of Financing and this Resolution.

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

1. The Secretary of the Committee, or in the absence of the Secretary of the Committee, an officer designated by the Secretary of the Committee (the “Authorized Officer”), is authorized to sell the Bonds and to fix the details of the Bonds in accordance with the Plan of Financing and this Resolution.
2. The issuance and sale of the Bonds, in an aggregate par amount not to exceed \$200,000,000, with the final terms, all as determined by the Authorized Officer pursuant to the Plan of Financing and upon the recommendation of THDA’s Financial Advisor, and the Executive Director, with the approval of THDA’s Bond Counsel, is hereby authorized.
3. The resolution titled “A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, \$\_\_\_\_\_ Issue 2020-3A (Non-AMT), and \$\_\_\_\_\_ Issue 2020-3B (Federally Taxable)” (the “Supplemental Resolution”), in the form attached hereto, is adopted, subject to the provisions contained herein.
4. THDA is authorized and directed to conduct a public hearing prior to the issuance of the Bonds, to the extent required by the Code, with reasonable public notice and to submit the results of the public hearing to the Governor to obtain the Governor’s written approval.
5. The Authorized Officer is authorized to (a) select the manner of sale; (b) designate multiple series or sub-series, as needed; (c) designate AMT, non-AMT or taxable components; (d) designate fixed interest rates; (e) approve a final structure for the Bonds; (f) approve a final principal amount or amounts, not to exceed a par amount of \$200,000,000; (g) authorize bond insurance, if determined necessary; (h) determine all other final terms of the Bonds, in accordance with this Resolution, the Plan of Financing and the

Supplemental Resolution; (i) approve the final version of the Supplemental Resolution, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Authorized Officer, upon the recommendation of the Executive Director with the approval of Chief Legal Counsel of THDA and Bond Counsel, as the Authorized Officer shall determine to be necessary or appropriate to establish the final terms of the Bonds and their manner of sale; (j) select the senior bookrunning manager and the rotating co-manager upon the recommendation of the Financial Advisor and THDA staff; and (k) award the Bonds in accordance therewith. At the discretion of the Authorized Officer, the Bonds may include new volume cap and any combination of amounts needed to refund all or any part of bonds or notes outstanding under the General Resolution, under the General Homeownership Program Bond Resolution or under the General Housing Finance Resolution, including, without limitation, to produce proceeds for new mortgage loans or to produce economic savings or opportunities for interest rate subsidies. In addition, the Authorized Officer, at their discretion may elect to transfer resources from the General Homeownership Program Bond Resolution and/or the General Housing Finance Resolution to the General Resolution in connection with the issuance of the Bonds upon recommendation of the Executive Director or Secretary of the Committee with the approval of Bond Counsel, Financial Advisor and Chief Legal Counsel.

6. The Authorized Officer is further authorized to (a) change the designation of these Bond as Issue 2020-3 to a designation that conforms to the order in which these Bonds are priced in relation to the pricing of any other bonds; and (b) combine the authorization given herein with the authorization given under that certain Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2020-2 in an aggregate par amount not to exceed \$110,000,000, with the result being authorization for Residential Finance Program Bonds designated either Issue 2020-2 and Issue 2020-3 in the aggregate par amount not to exceed \$310,000,000.

7. The Assistant Secretary of the Committee, with the assistance of Bond Counsel, the Financial Advisor, and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare a Preliminary Official Statement and a final Official Statement for printing and distribution in connection with the issuance and sale of the Bonds.

8. The Assistant Secretary of the Committee, with the assistance of Bond Counsel and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare all documents determined to be necessary or appropriate for the competitive sale of all or any portion of the Bonds or all documents, including, without limitation, a purchase agreement in a form appropriate for a negotiated sale, including a private placement, of all or any portion of the Bonds, as determined to be necessary or appropriate, for a negotiated sale of all or any portion of the Bonds.

9. The Authorized Officer is hereby authorized to execute (i) the proposal submitted by the lowest bidder or bidders in the event of a competitive sale of all or any portion of the Bonds or (ii) a purchase agreement in the event of a negotiated sale, including a private placement, of all or any portion of the Bonds, the form of which has been approved by the Authorized Officer, upon the recommendation of the Financial Advisor and Bond Counsel, and (iii) to deliver the Bonds as appropriate.

10. The Authorized Officer, and the Chair, the Vice-Chair, the Executive Director, the Director of Finance and the Chief Legal Counsel of THDA and other appropriate officers and employees of THDA are hereby authorized to do and perform or cause to be done and performed, for or on behalf of THDA, all acts and things (including, without limitation, execution and delivery of documents) that constitute conditions precedent to the issuance and sale of the Bonds or that are otherwise required to be done and performed by or on behalf of THDA prior to or simultaneously with the issuance and sale of the Bonds.

11. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Supplemental Resolution, as the context indicates.

12. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on March 24, 2020.

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**TENNESSEE HOUSING DEVELOPMENT AGENCY**

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**A Supplemental Resolution**

**Authorizing the Sale of**

**Residential Finance Program Bonds**

**\$\_\_\_\_\_ Issue 2020-3A (Non-AMT)**

**\$\_\_\_\_\_ Issue 2020-3B (Federally Taxable)**

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Adopted March 24, 2020  
as approved in its amended and supplemented form  
by the its Designated Authorized Officer  
on \_\_\_\_\_, 2020

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**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF**  
**RESIDENTIAL FINANCE PROGRAM BONDS**  
**\$\_\_\_\_\_ ISSUE 2020-3A (Non-AMT)**  
**\$\_\_\_\_\_ ISSUE 2020-3B (Federally Taxable)**

BE IT RESOLVED by the Board of Directors of the **TENNESSEE HOUSING DEVELOPMENT AGENCY** (“THDA”) as follows:

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

**Section 1.01. Short Title.** This resolution may hereafter be cited by THDA as the Issue 2020-3 Supplemental Residential Finance Program Bond Resolution.

**Section 1.02. Definitions.**

(a) All terms which are defined in Section 1.2 of the resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (the “General Resolution”) have the same meanings in this Resolution as such terms are given in Section 1.2 of the General Resolution.

(b) In addition, as used in this Resolution, unless the context otherwise requires, the following terms have the following respective meanings:

[“*400% PSA Prepayment Amount*” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2020-3 Bonds (including Program Securities and the Transferred Program Loans) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.]

“*Bond Purchase Agreements*” means, collectively, the Issue 2020-3A Bond Purchase Agreement and the Issue 2020-3B Bond Purchase Agreement.

“*Business Day*” shall mean any day except for a Saturday, Sunday or any day on which banks in Tennessee or New York are required or authorized to be closed.

“*Co-Managers*” means [J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and [Robert W. Baird & Co.]].

“*Code*” shall mean the Internal Revenue Code of 1986, as amended.

“*Designated Authorized Officer*” means the Secretary of the Bond Finance Committee or, in the absence of the Secretary of the Bond Finance Committee, an officer designated by the Secretary of the Bond Finance Committee.

“DTC” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Excess 2020-3 Principal Payments*” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2020-3 Bonds (including Program Securities [and the Transferred Program Loans]) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2020-3 Bonds.

“*Issue 2020-3 Bonds*” means, together, the Issue 2020-3A Bonds and the Issue 2020-3B Bonds.

“*Issue 2020-3A Bond Purchase Agreement*” means the contract for the purchase of the Issue 2020-3A Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

“*Issue 2020-3A Bonds*” means the Issue 2020-3A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[“*Issue 2020-3A PAC Bonds*” means the Issue 2020-3A Bonds in the aggregate principal amount of \$\_\_\_\_\_ maturity on \_\_\_\_\_.]

[“*Issue 2020-3A PAC Bonds Planned Amortization Amount*” means the cumulative amount of Issue 2020-3A PAC Bonds expected to be redeemed upon the receipt of Excess 2020-3 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

“*Issue 2020-3A Serial Bonds*” means the Issue 2020-3A Bonds which are not Issue 2020-3A Term Bonds.

“*Issue 2020-3A Term Bonds*” means, collectively, the Issue 2020-3A Bonds maturing \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

“*Issue 2020-3B Bond Purchase Agreement*” means the contract for the purchase of the Issue 2020-3B Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

“*Issue 2020-3B Bonds*” means the Issue 2020-3B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[“*Issue 2020-3B PAC Bonds*” means the Issue 2020-3B Bonds in the aggregate principal amount of \$\_\_\_\_\_ maturity on \_\_\_\_\_.]

[“*Issue 2020-3B PAC Bonds Planned Amortization Amount*” means the cumulative amount of Issue 2020-3B PAC Bonds expected to be redeemed upon the receipt of Excess 2020-3 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

“*Issue 2020-3B Serial Bonds*” means the Issue 2020-3B Bonds which are not Term Bonds.

“*Issue 2020-3B Term Bonds*” means, collectively, the Issue 2020-3B Bonds maturing \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

“*Issue Date*” means the date on which the Issue 2020-3 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on \_\_\_\_\_, 2020.

“*MSRB*” means the Municipal Securities Rulemaking Board by operation of its Electronic Municipal Market Access System.

“*Official Statement*” means the Official Statement dated \_\_\_\_\_, 2020 used in connection with the sale of the Issue 2020-3 Bonds.

[“*PAC Bonds*” means, collectively, the Issue 2020-3A PAC Bonds and the Issue 2020-3B PAC Bonds .]

[“*PAC Bonds Planned Amortization Amount*” means, collectively, the Issue 2020-3A Planned Amortization Amount and the 2020-3B Planned Amortization Amount.]

“*Preliminary Official Statement*” means the Preliminary Official Statement dated \_\_\_\_\_, 2020 used in connection with the offering of the Issue 2020-3 Bonds.

“*Rating Agency*” shall mean Moody’s Investors Service, Inc. (or any successor thereto), and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLP business (or any successor thereto).

[“*Refunded Bonds*” means, the THDA bonds [listed in Exhibit D hereto][set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2020-3 Bonds.]

“*Resolution*” means this Supplemental Resolution adopted by THDA on November 19, 2019, as approved in its amended and supplemented form by the Designated Authorized Officer on \_\_\_\_\_, 2020.

“*Serial Bonds*” means, collectively, the Issue 2020-3A Serial Bonds and the Issue 2020-3B Serial Bonds.

“*Term Bonds*” means, collectively, the Issue 2020-3A Term Bonds and the Issue 2020-3B Term Bonds.

[“*Transferred Investments*” means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2020-3 Bonds upon the refunding of the Refunded Bonds.]

[“*Transferred Proceeds*” means the sum of \$\_\_\_\_\_ on deposit in the Issue 2020-3 Bond Subaccount of the Loan Fund subsequent to the refunding of the Refunded Bonds.]

[“*Transferred Program Loans*” means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2020-3 Bonds upon the refunding of the Refunded Bonds.]

“*Underwriters*” means, collectively, [Raymond James & Associates, Inc., RBC Capital Markets, LLC and Citigroup Global Markets Inc.], their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2020-3 Bonds.

(c) Unless the context otherwise indicates, words of the masculine gender will be deemed and construed to include correlative words of feminine and neuter genders, words importing the singular number include the plural number and vice versa, and words importing persons include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms as used in this Resolution refer to this Resolution and such terms used in the form of registered bond herein refer to such bonds.

(e) [Unless the context otherwise indicates, the term “Program Loan” as used herein shall include Transferred Program Loans as well as new Program Loans and, without duplication, Program Securities, and the phrase “Program Loans allocable to the Issue 2020-3 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2020-3 Bonds.]

**Section 1.03. Authority for this Resolution.** This Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

## ARTICLE II

### TERMS AND ISSUANCE

**Section 2.01. Issue Amount and Designation.** In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2020-3A are hereby authorized to be issued (as tax-exempt and/or taxable) in the aggregate principal amount of \$\_\_\_\_\_, and Residential Finance Program Bonds, Issue 2020-3B are hereby authorized to be issued in the aggregate principal amount of \$\_\_\_\_\_. In addition to the title “Residential Finance Program Bond,” the Issue 2020-3 Bonds will bear the additional designation “Issue 2020-3A [(Non-AMT)]” and “Issue 2020-3B [(Federally Taxable)],” as appropriate. The Issue 2020-3 Bonds shall be issued only in fully registered form. The Issue 2020-3A Bonds will consist of \$\_\_\_\_\_ principal amount of Serial Bonds and \$\_\_\_\_\_ principal amount of Term Bonds. The Issue 2020-3B Bonds will consist of \$\_\_\_\_\_ principal amount of Serial Bonds and \$\_\_\_\_\_ principal amount of Term Bonds.

**Section 2.02. Purposes.** [The Issue 2020-3A Bonds and [a portion of] the Issue 2020-3B Bonds are being issued to refund the Refunded Bonds. As a result of such refunding, the Transferred Program Loans, [Transferred Proceeds] and the Transferred Investments will become allocated to the Issue 2020-3 Bonds.] [A portion of] the Issue 2020-3B Bonds are being issued (a) to finance Program Loans (including Program Securities), or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2020-3 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2020-3 Bonds. [ As a result of the refunding of the Refunded Bonds, the Transferred Proceeds will become allocated to the Issue 2020-3 Bonds.]

The proceeds of the Issue 2020-3 Bonds [and the [Transferred Proceeds and the] Transferred Investments] shall be applied in accordance with Article IV hereof.

**Section 2.03. Amounts, Maturities and Interest Rates.**

(a) The Issue 2020-3 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing [July 1, 2020], at the rate set opposite such date in the following tables:

**Issue 2020-3A Bonds**

**Serial Bonds**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
	\$	%		\$	%

**Term Bonds**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
	\$	%

**Issue 2020-3B Bonds**

**Serial Bonds**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
	\$	%		\$	%

### **Term Bonds**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
--------------------------	-----------------------------	--------------------------

\$

%

(b) Whenever the due date for payment of interest on or principal of the Issue 2020-3 Bonds or the date fixed for redemption of any Issue 2020-3 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

#### **Section 2.04. Denominations, Numbers and Letters.**

(a) The Issue 2020-3 Bonds of each series maturing in each year are to be issued in denominations of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2020-3 Bonds of each series maturing in such year. The Issue 2020-3 Bonds are to be lettered “R-3A,” or “R-3B,” as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2020-3 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2020-3 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2020-3 Bonds in the aggregate principal amount of such maturity, interest rate and series. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2020-3 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2020-3 Bonds will not receive certificates representing their interest in the Issue 2020-3 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2020-3 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2020-3 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

**Section 2.05. Paying Agent.** The Trustee is hereby appointed as paying agent for the Issue 2020-3 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

**Section 2.06. Execution of Bonds.** The Issue 2020-3 Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2020-3 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2020-3 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2020-3 Bonds upon instructions from THDA to that effect.

**Section 2.07. Place of Payment; Record Date.** While the Issue 2020-3 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of

principal, Redemption Price and interest on the Issue 2020-3 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2020-3 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2020-3 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2020-3 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2020-3 Bonds in a principal amount equal to or exceeding \$1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2020-3 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

## **Section 2.08. Sinking Fund Redemption Provisions.**

(a) The Issue 2020-3 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2020-3 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

### **Issue 2020-3A Term Bonds due \_\_\_\_\_**

<b>Date</b>	<b>Amount Due</b>	<b>Date</b>	<b>Amount Due</b>
	<b>\$</b>		<b>\$</b>

\_\_\_\_\_  
\*Maturity

### **Issue 2020-3B Term Bonds due \_\_\_\_\_**

<b>Date</b>	<b>Amount Due</b>	<b>Date</b>	<b>Amount Due</b>
	<b>\$</b>		<b>\$</b>

\_\_\_\_\_  
\*Maturity

(b) Upon the purchase or redemption of Issue 2020-3 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2020-3 Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2020-3 Bonds of such



series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2020-3 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

**Section 2.09. Optional Redemption.** The Issue 2020-3 Bonds maturing on and after [January 1, 2030] [other than the PAC Bonds], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after [July 1, 2029] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

[[The PAC Bonds are subject to redemption at the option of THDA, either as a whole or in part at any time or on or after [July 1, 2029] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at the respective Redemption Prices set forth below (expressed as a percentage of the principal amount of such PAC Bonds to be redeemed), plus accrued interest to the redemption date:

<u>Period</u>	<u>PAC Bond Redemption Price</u>
[January 1, 2030] to [_____]	[_____]%
[_____] and thereafter	[_____]

**Section 2.10. Special Optional Redemption.** The Issue 2020-3 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2020-3 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans (including Program Securities [and the Transferred Program Loans]) allocated to the Issue 2020-3 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2020-3 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2020-3 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof [, and] (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2020-3 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if

applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2020-3 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2020-3 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10.

### **Section 2.11. Special Mandatory Redemptions.**

(a) ***Unexpended Proceeds.*** The Issue 2020-3 Bonds are subject to mandatory redemption on \_\_\_\_\_ in the event and to the extent that there are unexpended proceeds of the Issue 2020-3 Bonds on deposit in the Issue 2020-3 Subaccount of the Loan Fund on \_\_\_\_\_; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2020-3 Bonds are subject to mandatory redemption on \_\_\_\_\_, \_\_\_\_\_, to the extent any amounts remain on deposit in the Issue 2020-3 Subaccount of the Loan Fund on \_\_\_\_\_, \_\_\_\_\_.

The redemption price of the Issue 2020-3 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2020-3 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2020-3 Bonds then Outstanding.

(b) ***[Excess 2020-3 Principal Payments (PAC Bonds)]***. The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2020-3 Principal Payments. Any Excess 2020-3 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing [July 1, 2020]; provided that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2020-3 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2020-3 Bonds (including Program Securities [and the Transferred Program Loans]) are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2020-3 Principal Payments shall first be applied to redeem the PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose

permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2020-3 Bonds (including Program Securities [and the Transferred Program Loans]) are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2020-3 Principal Payments shall first be applied to redeem PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount (as set forth in “FIRST” above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an “Excess Principal PAC Bond Redemption”); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2020-3 Principal Payments which is in excess of 400% PSA, and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds’ proportionate amount of all Issue 2020-3 Bonds then Outstanding.

The PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC Bonds are redeemed from amounts on deposit in the Issue 2020-3 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.]

**(c) Ten Year Rule.**

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2020-3 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, allocable to the Issue 2020-3 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2020-3 Bonds (or the date of original issuance of the bonds refunded by the Issue 2020-3 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2020-3 Bonds on or before the next Interest Payment Date with respect to the Issue 2020-3 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2020-3 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2020-3 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that the PAC Bonds may be redeemed in an amount that exceeds the PAC Bonds Planned Amortization Amount only if there are no other Issue 2020-3 Bonds Outstanding.

**Section 2.12. Selection by Lot.** If less than all of the Issue 2020-3 Bonds of like Series and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

**Section 2.13. Purchase of Bonds by THDA or Trustee.** Whenever moneys are available for redemption of Bonds under Sections 2.08, 2.09, 2.10 or 2.11 above, THDA or the Trustee is authorized to purchase Bonds at a price not to exceed the applicable Redemption Price.

### **ARTICLE III**

#### **SALE AND DELIVERY**

##### **Section 3.01. Sale.**

(a) The Issue 2020-3 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Board of Directors of THDA hereby authorizes the Designated Authorized Officer to approve the purchase price of the Issue 2020-3 Bonds and to execute the Bond Purchase Agreement.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2020-3 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2020-3 Bonds to the public is hereby authorized and approved.

(c) The Issue 2020-3 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2020-3 Supplemental Resolution.

### **ARTICLE IV**

#### **DISPOSITION OF PROCEEDS AND OTHER MONEYS**

**Section 4.01. Loan Fund; Bond Reserve Fund Requirement.** Upon receipt of the proceeds of the sale of the Issue 2020-3 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2020-3 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2020-3 Bonds. Amounts on deposit in the Issue 2020-3 Bond Subaccount of the Loan Fund in excess of \$\_\_\_\_\_, [together with the Transferred Proceeds,] shall be applied to (i) the financing of Program Loans (including Program Securities), or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment

of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2020-3 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2020-3 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2020-3 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2020-3 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2020-3 Bonds shall not exceed 2% of the proceeds of the Issue 2020-3 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2020-3 Bond Subaccount of the Loan Fund which are to be used to finance Program Loans (including Program Securities) (or other available funds of THDA), shall be made available for owner financing of "targeted area residences" (as defined in Section 143(j) of the Code) until \_\_\_\_\_, 2020.

The Bond Reserve Fund Requirement with respect to the Issue 2020-3 Bonds shall be [an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2020-3 Bonds plus the amount on deposit in the Issue 2020-3 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Requirement.]

**Section 4.02. Proceeds of Issue 2020-3A Bonds and Issue 2020-3B Bonds.** Proceeds of the Issue 2020-3A Bonds and Issue 2020-3B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2020-3 Bond Subaccount of the Loan Fund. On the Issuance Date, \$\_\_\_\_\_ of the amount on deposit in the Issue 2020-3 Bond Subaccount of the Loan Fund (representing [the principal] [a portion of] the proceeds of the Issue 2020-3A Bonds and the [entire proceeds of the] Issue 2020-3B Bonds [in the aggregate amount of \$\_\_\_\_\_ [and available funds of THDA in the amount of \$\_\_\_\_\_]]) shall be applied to the refunding of the Refunded Bonds. [On such date, the Transferred Program Loans [and the Transferred Proceeds] shall be credited to the Issue 2020-3 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.]]

**Section 4.03. Program Loan Determinations.** No Program Loan shall be financed with proceeds of the Issue 2020-3 Bonds [(including the Transferred Proceeds)] unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the fee simple or leasehold estate, of real property located in the State or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

- (a) have been pooled into a Program Security; or
- (b) have been insured or guaranteed or have a commitment for insurance or guaranty by (i) the United States or any instrumentality thereof (inclusive of the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or (ii) any agency or instrumentality of the State authorized by law to issue such insurance; or
- (c) be made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value (as determined in an appraisal by or acceptable to THDA), or the sale price of the property securing the Program Loan; or
- (d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or sale price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to issue such insurance or guarantee in the State and approved by THDA, and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or sale price of the property securing the Program Loan, whichever is less.

## ARTICLE V

### FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

**Section 5.01. Form of Bonds.** Subject to the provisions of the General Resolution, the Issue 2020-3 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

**Section 5.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication.** The Issue 2020-3 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, [Issue 2020-3A (Non-AMT)] [Issue 2020-3B (Federally Taxable)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Officer

## ARTICLE VI

### MISCELLANEOUS

**Section 6.01. No Recourse Against Members or Other Persons.** No recourse may be had for the payment of principal of or premium or interest on the Issue 2020-3 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2020-3 Bonds and neither the members of THDA nor any person executing the Issue 2020-3 Bonds may be liable personally on the Issue 2020-3 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

**Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America.** The Issue 2020-3 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2020-3 Bonds. The Issue 2020-3 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2020-3 Bonds.

**Section 6.03. Delivery of Projected Cash Flow Statements.** THDA shall deliver such Projected Cash Flow Statements at the times and on the occasions set forth in the General Resolution or this Resolution.

**Section 6.04. Authorized Officers.** The Chair, Vice Chair, Executive Director, General Counsel, Deputy Executive Director and Secretary of THDA and the Secretary and any Assistant Secretary of the Bond Finance Committee and any other proper officer of THDA, be, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the General Resolution and the Official Statement.

**Section 6.05. Authorized Trustee.** THDA authorizes and directs the Trustee to perform any and all acts contemplated to be performed by the Trustee pursuant to the terms and provisions of this Resolution.

**Section 6.06. Covenant to Comply with Federal Tax Law Requirements.** THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the

Issue 2020-3 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2020-3 Bonds from time to time.

**Section 6.07. Continuing Disclosure Undertaking.**

(a) THDA shall deliver to the MSRB, within 210 days after the end of each Fiscal Year:

(i) a copy of the annual financial statements of THDA prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board; and

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

The information described in this subsection (a) may be provided by specific reference to documents (including official statements, to the extent the official statements include the information described in this subsection (a)) previously provided to the MSRB or filed with the Securities and Exchange Commission.

If unaudited financial statements are provided as part of the information required to be delivered under this subsection (a) within the time period specified above, THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB.

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2020-3 Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;



(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity provider, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2020-3 Bonds, or other material events affecting the tax status of the Issue 2020-3 Bonds;

(vii) modifications to rights of the holders of the Issue 2020-3 Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2020-3 Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA);

(xiii) The consummation of a merger, consolidation or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) Incurrence of a financial obligation of THDA, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of THDA, any of which affect Bondholders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of THDA, any of which reflect financial difficulties.

For the purposes of the events identified in clauses (xv) and (xvi) above, the term “financial obligation” means: (A) a debt obligation; (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”).

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2020-3 Bonds or defeasance of any Issue 2020-3 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2020-3 Bonds pursuant to the Resolution.

(c) THDA shall give notice to the Trustee and the MSRB in a timely manner of any failure by THDA to provide any information required pursuant to subsection (a) above within the time limit specified therein.

(d) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2020-3 Bonds whether or not the Rule applies to such Issue 2020-3 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2020-3 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of the Rule as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2020-3 Bonds or (B) the holders of the Issue 2020-3 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2020-3 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2020-3 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2020-3 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

**Section 6.08. Confirmation and Adjustment of Terms by Designated Authorized Officer.** The terms of the Issue 2020-3 Bonds are herein established subject to confirmation by the Designated Authorized Officer upon the approval of the sale of the Issue 2020-3 Bonds by the Designated Authorized Officer. The Designated Authorized Officer is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2020-3 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Designated Authorized Officer determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

**Section 6.09. Effective Date.** This Resolution will take effect immediately.

**EXHIBIT A**

**BOND PURCHASE AGREEMENT**

**EXHIBIT B**

**[PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS]**

**Date**

**PAC Bonds**  
**Planned Amortization Amount**

**[[400]% PSA PREPAYMENT AMOUNTS  
FOR ISSUE 2020-3 BONDS]**

<b>Date</b>	<b>Cumulative Amount</b>	<b>Date</b>	<b>Cumulative Amount</b>
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**EXHIBIT C**

**FORM OF BOND**

**REGISTERED**

**R- [3A][3B]**

**\$[\_\_\_\_\_]**

**TENNESSEE HOUSING DEVELOPMENT AGENCY  
RESIDENTIAL FINANCE PROGRAM BOND  
ISSUE 2020-3[A][B] [(Non-AMT)][( FEDERALLY TAXABLE)]**

<b>Interest Rate</b>	<b>Dated Date</b>	<b>Maturity Date</b>	<b>Cusip</b>
[____]%	[____], 2020	[_____]	880461[_____]

**REGISTERED OWNER: CEDE & CO.**

**PRINCIPAL SUM: [\_\_\_\_\_]**

**TENNESSEE HOUSING DEVELOPMENT AGENCY** (hereinafter sometimes called “THDA”), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the “State”), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA’s obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing [\_\_\_\_\_, 2020]. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

This Bond is one of the bonds of THDA designated “Residential Finance Program Bonds” (herein called the “Bonds”) authorized to be issued in various series under and pursuant to the Tennessee Housing Development Agency Act, Sections 13-23-101 et seq., of the Tennessee Code Annotated, as amended (herein called the “Act”), a resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (herein called the “General Resolution”) and a supplemental resolution authorizing each issue. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series of various principal amounts, may bear interest at different rates and subject to the provisions thereof, may otherwise vary. All Bonds

issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This bond is one of a series of bonds additionally designated “Issue 2020-3[A][B]” (herein called the “Bonds”) issued in the aggregate principal amount of \$\_\_\_\_\_ under the General Resolution, a resolution of THDA adopted on March 24, 2020, as approved in its amended and supplemented form by the Designated Authorized Officer on \_\_\_\_\_, 2020 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by THDA with the written consent of the holders of at least two-thirds in principal amount of the Bonds then outstanding, and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding. If such modification or amendment will by its terms not take effect so long as any Bonds of any specified like series and maturity remain outstanding, however, the consent of the holders of such Bonds shall not be required. In addition, certain other modifications or amendments to the Resolutions can be made which are not contrary to or inconsistent with the Resolutions without the consent of the Bondholders.

The holder of this Bond shall have no right to enforce the provisions of the Resolutions, to institute actions to enforce the provisions of the Resolutions or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the General Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the General Resolution, the principal of all the Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

This Bond is transferable, as provided in the Resolutions, only upon the books of THDA kept for that purpose at the office of the Trustee by the registered owner hereof in person or by such owner’s attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner’s attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same subseries and maturity shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. THDA and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving



payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This Bond is a special limited obligation of THDA payable solely from the revenues and assets pledged therefor pursuant to the General Resolution.

The Bonds are issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds are subject to optional, mandatory and sinking fund redemption as described in the Resolutions.

This Bond does not constitute a debt, liability or other obligation of the State or any political subdivision thereof other than THDA and neither the State nor any political subdivision thereof shall be obligated to pay the principal of the Bonds or the interest thereon. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Resolutions until the Certificate of Authentication hereon shall have been signed by the Trustee.

The Act provides that neither the members of THDA nor any person executing this Bond shall be liable personally hereon or shall be subject to any personal liability or accountability by reason of its execution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution or statutes of the State and the Resolutions to exist, to have happened or to have been performed precedent to or in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Bonds, together with all other indebtedness, of THDA, is within every debt and other limit prescribed by law.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, TENNESSEE HOUSING DEVELOPMENT AGENCY has caused this Bond to be executed in its name by the manual or facsimile signature of its Chair and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of its Executive Director, all as of the dated date shown above.

TENNESSEE HOUSING DEVELOPMENT  
AGENCY

By \_\_\_\_\_  
Michael L. Hedges  
Chair  
[SEAL]

Attest:

By \_\_\_\_\_  
Ralph M. Perrey  
Executive Director

## **CERTIFICATE OF AUTHENTICATION**

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2020-3[A][B] [(Non-AMT)][(Federally Taxable)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Signatory

Dated: \_\_\_\_\_, 2020

## ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with the right of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - _____	Custodian _____
(Cust)	(Minor)
	under Uniform Gifts to Minors
	Act _____
	(State)

Additional Abbreviations may also be used though  
not in the above list

## ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney to transfer the said Bond on the bond register, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Social Security Number or  
Employer Identification  
Number of Transferred: \_\_\_\_\_

Signature guaranteed: \_\_\_\_\_

NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever.

**EXHIBIT D**  
**REFUNDED BONDS**

A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY  
AUTHORIZING REIMBURSEMENT OF THDA  
FROM PROCEEDS OF ISSUE 2020-3  
March 24, 2020

WHEREAS, the Tennessee Housing Development Agency (“THDA”) is financing mortgage loans for eligible borrowers to purchase single family residences in compliance with the Internal Revenue Code of 1986, as amended (the “Code”), and the General Residential Finance Program Bond Resolution, (the “2013 General Resolution”); and

WHEREAS, THDA expects to use its own funds to continue its mortgage loan programs prior to the availability of proceeds from the issuance of the General Residential Finance Program Bonds, Issue 2020-3, if and when issued and sold (the “Bonds”), through the direct purchase of eligible mortgage loans; and

WHEREAS, THDA will continue to commit and purchase mortgage loans prior to the closing date for the Bonds (the “Closing”); and

WHEREAS, THDA expects that up to \$150,000,000 in mortgage loans may be purchased prior to Closing; and

WHEREAS, it is in the best interest of THDA to reimburse itself from the proceeds of the Bonds for THDA funds expended to purchase mortgage loans prior to the Closing.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THDA THAT:

1. Use of proceeds from the Bonds in an amount not to exceed \$150,000,000 shall be used to reimburse THDA for the actual amounts expended to purchase mortgage loans made to eligible borrowers who purchased single family residences in accordance with the requirements of the Code and the 2013 General Resolution.
2. This resolution shall take effect immediately.

# Tab # 5

Items:

Grants Committee Meeting Materials

**Tennessee Housing Development Agency  
Grants Committee**

**March 24, 2020**

**1:00 p.m. Central Standard Time**

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AGENDA

1. Call to Order ..... McMullen
2. Approval of Minutes for January 29, 2020 Meeting ..... McMullen
3. 2020 Weatherization Assistance Program Model Plan Submission Authorization ... Peraza
4. 2021 Challenge Grant Program Description Authorization ..... Peraza
5. HOME Grant Extension Request ..... Peraza
6. Adjourn.....McMullen

LOCATION

Tennessee Tower  
312 Rosa L. Parks Ave, Third Floor  
Nashville, TN 37243  
The Nashville Room

COMMITTEE MEMBERS

Austin McMullen, Chair  
Tre Hargett  
John Krenson  
Rick Neal  
Lynn Tully  
Justin Wilson



TENNESSEE HOUSING DEVELOPMENT AGENCY  
GRANTS COMMITTEE  
January 29, 2020

Pursuant to the call of the Chair, the Grants Committee of the Tennessee Housing Development Agency Board of Directors met in regular session on Wednesday, January 29, 2020, at 10:00 a.m. Central Time in the Nashville Room at the William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee.

The following Committee members were present: Austin McMullen (Chair), Jonathan Rummel for Secretary of State Tre Hargett, Rick Neal, Katie Armstrong for Comptroller Justin Wilson and Board Chair Mike Hedges. Also present were Colleen Daniels, Chrissi Rhea, John Snodderly, Dorothy Cleaves, and Kevin Bradley. Erin Merrick arrived at 10:12 a.m. Central Time. John Krenson and Lynn Tully were absent.

Chair McMullen called the meeting to order and called for consideration of the November 19, 2019, minutes. Upon motion by Ms. Armstrong, second by Mr. Neal, the minutes were approved.

Chair McMullen then recognized Cynthia Peraza, THDA Director of Community Programs, to present the request for approval of modifications to the 2020 Creating Homes Initiative 2 (CHI-2) Program Description. Ms. Peraza referenced her memo dated January 15, 2020, and noted that in September 2019, the CHI-2 Program Description was approved by the Board. She explained that after approval of the Program Description, the Department of Mental Health and Substance Abuse Services (DMHSAS) requested modifications to the Program Description as described in more detail in the referenced memo. She indicated that, in consultation with DMHSAS, THDA staff recommends the following changes to the CHI-2 Program Description: 1) Expand the qualifying diagnosis from "Opioid Use Disorder" to "Opioid or opioid derivatives must be a drug of choice" throughout the Program Description; 2) Remove the language referenced on Page 1, Section A, of the Program Description referencing the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition; and 3) Extend the application deadline to 4:00 P.M. CST, Thursday, February 13, 2020, with application decisions to be announced by April 1, 2020, and contracts effective as of May 1, 2020. Upon motion by Mr. Hedges, second by Ms. Armstrong, the Committee recommended approval of the referenced changes to the 2020 CHI-2 Program Description to the Board.

Chair McMullen next recognized Mr. Don Watt, THDA Chief Program Officer, who referenced his memo dated January 16, 2020. He reported that the Executive Director awarded \$1,945,959 of the \$3,241,878 available under the 2019 National Housing Trust Fund (NHTF) Program Description to Metropolitan Development and Housing Agency, Murfreesboro Housing Authority, and The Crossroads Campus to create 200 housing units, 24 of which will be set aside for extremely low-income Tennesseans. He noted that the remaining amount would be rolled into the funding amount for the National Housing Trust Fund in 2020.

Chair McMullen recognized Mr. Watt who referenced his memo dated January 16, 2020, regarding the 2020 National Housing Trust Fund (NHTF) Program Description. Mr. Watt noted that approximately \$4,335,570, including \$1,295,919 from 2019 and \$3,039,651 expected for 2020, will be available for development of affordable rental housing for extremely low-income households. He explained that the 2020 NHTF Program Description contains the following recommended changes from 2019: 1) reduce the minimum award from \$250,000 to \$100,000 to encourage the use of funds in smaller, rural developments; 2) add a spend-down requirement for entities with prior NHTF funding awards; and 3) provide 7 points for a project located in a rural county and an additional 3 points if the applicant is a rural public housing authority. Upon a motion by Mr. Rummel, second by Mr. Neal, the Committee recommended approval of the 2020 NHTF Program Description to the Board.

Chair McMullen next recognized Ms. Peraza, who referenced her memo dated January 15, 2020, requesting authorization to increase the Tennessee Renovation Loan Program (TRLP) funds by the approximately \$811,000 that remain after the 2017-2018 Appalachian Renovation Loan Program ended in July 2019. She noted that TRLP not only offers the same type of assistance as the Appalachian Renovation Loan Program, but also focuses on providing assistance to low-income homeowners who need help in repairing and preserving their homes. Upon motion by Mr. Neal, second by Mr. Hedges, the Committee recommended approval of the transfer of 2017-2018 Appalachian Renovation Loan Program funds to TRLP.

Chair McMullen again recognized Ms. Peraza who referenced her memo dated January 17, 2020, regarding the following proposed changes to the Appraisal Gap Pilot Program (Gap Program): 1) Increase the allocation by \$500,000 in THDA funds bringing the total Gap Program allocation to \$1,000,000; 2) Expand Gap Program availability across the state; and 3) Extend Gap Program, as a pilot program through December 31, 2020, or until the Gap Program funding is depleted, whichever occurs first. Ms. Peraza explained that in September 2018, the Board authorized the Gap Program, which offered up to \$20,000 in grant funding to eligible, nonprofit housing agencies to help fund the gap between the cost to build a home and the appraised value of such a home in Memphis, Chattanooga and Oak Ridge. Upon motion by Ms. Armstrong, second by Mr. Neal, the Committee recommended approval of the referenced Appraisal Gap Pilot Program changes.

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

Respectfully submitted,

Ralph M. Perrey  
Executive Director

Approved the \_\_\_\_ day of \_\_\_\_\_, 2020.



## Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243  
(615) 815-2200

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

### MEMORANDUM:

TO: Board of Directors, Grants Committee

FROM: Cynthia Peraza, Director of Community Programs

DATE: March 2, 2020

SUBJECT: Program Year 2020 - Weatherization Assistance Program (WAP)

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### Recommendation:

Staff is recommending Board authorization for the Executive Director to take the following actions:

- Submit an application to DOE for the WAP Program Year 2020 funding, which runs from July 1, 2020 through June 30, 2021, by the federal deadline of May 1, 2020, incorporating the changes noted below and the authority to approve changes as may be deemed necessary to meet program requirements from DOE prior to the application submission date; and
- Determine that submission of an application is not in the best interest of THDA.

### Background:

The U. S. Department of Energy (DOE) will be accepting applications from states for the Program Year 2020 for the Weatherization Assistance Program (WAP). Applications are due to the DOE no later than May 1, 2020. The Program Year 2020 allocation for the State of Tennessee is \$5,875,208, (which is \$829,411 higher than 2019), with approximately \$587,520 available for administrative costs, \$1,024,452 available for training and technical assistance, and \$4,263,236 available for program costs.

The activities carried out with the WAP funding are subject to federal regulations found at 10 CFR Part 440 (the "WAP Regulations"). The annual application to the DOE defines the program and

requires that the program be made available to eligible agencies that serve all areas (counties) in the state. Grantees for WAP funding are those agencies meeting the federal definition of an eligible entity which includes Community Action Agencies (CAA) or other public or nonprofit entities selected on the basis of public comment received during a public hearing conducted pursuant to 10 CFR Part 440.14(a) and other appropriate findings regarding:

- (i) The Sub-grantee's experience and performance in weatherization or housing renovation activities;
- (ii) The Sub-grantee's experience in assisting low-income persons in the area to be served; and
- (iii) The Sub-grantee's capacity to undertake a timely and effective weatherization program.

The program funding is allocated by county, based on the percentage of the low-income population residing in that county, as determined through the use of SAIPE (Small Area Income and Poverty Estimates) census data.

The local agency will receive, if willing to participate, the allocation for the county or counties located in their service delivery area. THDA will retain funding for administrative expenses and program related training and technical assistance expenses, as permitted under federal regulations. Staff will also conduct public meetings to explain the program and funding situation.

THDA proposes the following material policy changes for the 2020 program year:

- Increase the Average Cost Per Dwelling Unit (ACPU) from \$ 7,547 to \$7,669 in accordance with the increase to the limit set annually by DOE in order to accommodate the cost increases to implement weatherization activities.
- Define the threshold for eligible Sub-grantees to access program funding in advance, as required by DOE Financial Assistance Rule, 2 CFR 200.302(b)(1), which specifically requires states to pay WAP Sub-grantees in advance as long as certain conditions are met.

Staff anticipates receiving DOE approval of the WAP Program Year 2020 application before the September 2020 Board meeting. At that time, Community Program staff will provide the Board with an update on participating agencies, program updates, and any amendments to the approval plan.



## Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243  
(615) 815-2200

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

### MEMORANDUM:

TO: Board of Directors, Grants Committee

FROM: Cynthia Peraza, Director of Community Programs

DATE: March 4, 2020

SUBJECT: 2021 THDA Challenge Grant Program Description

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### Recommendation:

Staff is recommending approval of the attached 2021 THDA Challenge Grant Program Description (the "2021 Program Description").

### Background:

A THDA Challenge Grant provides initial seed funding to support fundraising efforts of eligible nonprofit organizations across the State of Tennessee to implement housing and related activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside of the normal day-to-day activities of the organization.

The 2021 Program Description provides a formalized process for THDA's solicitation, review, and provision of financial support for the special initiatives that do not fall under the traditional THDA Programs. The 2021 Program Description also notes that a Challenge Grant(s) may not be awarded in 2021.

The THDA Challenge Grant Program requires that selected proposals generate cash leverage of at least 300% within nine (9) months of THDA's commitment of Challenge Grant funds to the housing initiative and related activities. The program is intended only for unique opportunities and not for proposals that would otherwise be eligible for other program funding available from THDA. The proposed housing initiatives and related activities must include or directly support one of the following broad goals:

- Significantly expand or preserve the supply of housing for sale to low and moderate income home buyers, including new construction, reconstruction, and rehabilitation of housing.
- Significantly preserve and enhance the supply of existing owner-occupied units.
- Significantly expand or preserve the supply of rental housing for low and moderate income households, including new construction and rehabilitation of rental housing.
- Significantly reduce the number of individuals who are homeless or move a significant number of a more vulnerable population into housing.

No changes are proposed from the 2020 Challenge Grant Program Description beyond application due dates and other minor administrative items.

THDA plans to release information on its website regarding the application process by Friday, June 12, 2020 and all applications will be due by 4:00 PM CDT on Thursday, August 8, 2020.

Staff will provide the Executive Director's recommendation for funding, if any, to the Board at the September 2020 meeting.



**TENNESSEE HOUSING TRUST FUND  
THDA CHALLENGE GRANT PROGRAM  
FY ~~2020~~2021 PROGRAM DESCRIPTION**

The THDA Challenge Grant Program provides initial seed funding to support the private fundraising efforts of nonprofit organizations across Tennessee to implement housing and related activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside the normal day-to-day activities of the organization. Selected proposals must generate cash leverage of at least 300% within nine months of THDA's commitment of Challenge Grant resources to the housing initiative.

**A. ELIGIBLE APPLICANTS**

To be eligible, an organization must meet all of the following:

- Be organized and existing under the laws of the State of Tennessee or organized and existing under the laws of another state, but authorized to do business in Tennessee;
- Must demonstrate at least two years of experience providing affordable housing or affordable housing-related services in the State of Tennessee;
- Have a 501(c)3 designation from the Internal Revenue Service; and
- Be in good program standing with THDA.

**B. FUNDS AVAILABLE**

THDA will determine the funding amount to be made available annually for THDA Challenge Grants and, in any given year, may determine that funding will not be available. THDA has allocated \$500,000 to this program for FY~~2020~~2021; however, THDA reserves the right to not make any awards for FY ~~2020~~2021.

**C. MAXIMUM GRANT**

The maximum grant to be awarded is \$500,000 and the minimum grant is \$50,000.

THDA will determine, in its sole discretion, whether any THDA Challenge Grant will be awarded in any given year and may determine, in its sole discretion, to not award any Challenge Grant in any given year.

#### **D. ELIGIBLE ACTIVITIES**

The housing activity proposed must be outside of the normal business of the applicant and not part of an ongoing or existing project. The activity must represent a unique milestone or opportunity for the applicant and for Tennessee. The scope of the housing activity must demonstrate broad community support and result in a significant community or regional impact.

The housing activity must include or directly support one of the following broad goals:

- Significantly expand or preserve the supply of housing for sale to low and moderate income home buyers, including new construction, reconstruction, and rehabilitation of housing.
- Significantly preserve and enhance the supply of existing owner-occupied units.
- Significantly expand or preserve the supply of rental housing for low and moderate income households, including new construction and rehabilitation of rental housing.
- Significantly reduce the number of individuals who are homeless or move a significant number of a more vulnerable population into housing.

Applications are more likely to be successful if their application clearly demonstrates how the housing activity:

- Is part of a comprehensive community development initiative that integrates infrastructure improvements, neighborhood development or redevelopment, commercial development or the provision of services;
- OR
- Supports the implementation of a comprehensive community-wide initiative that delivers housing and related services to the homeless or other vulnerable populations.

A THDA Challenge Grant shall only be used for the implementation of the housing activity approved. Funds may be used for demolition that is undertaken as part of the approved housing activity.

#### **E. PROHIBITED ACTIVITIES**

No portion of a THDA Challenge Grant shall be used for the following activities or costs:

1. Administrative costs of the applicant or any other participant in the proposed project
2. Non-housing costs associated with the approved housing activity
3. Acquisition of land or housing
4. Rental assistance

#### **F. LEVERAGE**

The THDA Challenge Grant is designed to encourage the commitment of additional funds to support the proposed housing activity. THDA requires the nonprofit to leverage cash in an amount equal to 300% of the value of the THDA Challenge Grant provided for the proposed housing



activity. The leveraged resources must be cash and be used for the approved housing activity. The applicant must present a fundraising plan to generate the cash leverage requirement.

In order to demonstrate broad community support for the proposed activity, all cash contributions eligible for leverage must be from third party, private entities with no expectation of repayment by the third party contributor. All cash must be secured through formal documentation provided within nine (9) months of THDA's commitment to the proposal. No THDA funds will be made available by THDA prior to THDA's receipt of formal, third party documentation demonstrating a binding commitment of resources and any associated terms. To be considered a "binding commitment", the documentation must demonstrate that the obligation to provide the resources cannot be broken and reasonable expectation of its receipt can be enforced under state law. The commitment also must demonstrate that receipt of the cash contribution will occur during the grant term. Fundraising and capital campaign pledges will not be considered toward meeting the leverage requirement. Commitment letters from corporations on company letterhead may be considered as formal documentation of a cash commitment from a third party entity. Pledges from individuals will not be considered toward meeting the leverage requirement.

The following additional resources will not be considered towards the leverage requirements for this program:

1. Administrative costs of the applicant or its partners in the initiative.
2. Other funds of the applicant that are currently on hand.
3. Project resources provided through any other programs administered by THDA.
4. Resources from any federal, state or local public entity or any quasi-public entity, such as the Federal Home Loan Bank.
5. Private equity generated from the sale of low income housing tax credits, new market tax credits, historic tax credits, or other similar federal or state tax credit financing mechanisms.
6. Donated materials, land or services.
7. In-kind services.
8. Funds invested in earlier phases of a project or committed to the activity prior to THDA's commitment of the THDA Challenge Grant.
9. Costs of infrastructure, development or redevelopment activities not directly associated with the housing activity supported by the THDA Challenge Grant.

## **G. MARKETING REQUIREMENTS**

Each successful applicant shall work with the Industry and Government Affairs Division and the Communications Division of THDA to publicize the housing activity and the involvement of THDA. This marketing can include, but is not limited to, photo opportunities and beneficiary stories. THDA shall be listed on all marketing and signage as a contributor of funds in support of the approved housing activity.

## **H. REPORTING**

The THDA Executive Director shall periodically report to the THDA Board of Directors regarding THDA Challenge Grants awarded. Each report shall include information about the eligible housing activity, the successful applicant and local community involved, the amount of the Challenge Grant awarded, progress made by the applicant in fundraising and in implementation of the approved housing activity, and, following completion, the impact of the approved housing activity. Grantees shall provide all data, in a form and with the substance as requested by THDA, in its sole discretion.

## **I. APPLICATION PROCESS AND REVIEW**

THDA will offer a single application process for FY~~2020~~2021. THDA will release information on its website regarding the application process by Friday, June 14~~2~~, ~~2020~~19. Applications must be submitted by 4:00 PM CDT on Thursday, August 6~~8~~, ~~2019~~20.

Applications will be reviewed by designated senior staff of THDA and a recommendation for funding consideration will be made to the THDA Executive Director. The THDA Executive Director will make a recommendation for funding to the THDA Board of Directors for their consideration and approval at their September meeting. THDA reserves the right not to select any proposal submitted.

THDA will provide a preference for applications that:

- Are unique opportunities for the organization;
- Incorporate volunteerism as a key component of the project;
- Result in neighborhood-wide or area-wide redevelopment;
- Address a significant challenge to the community;
- Benefit vulnerable populations, including the homeless, individuals with a disability, youth aging out of foster care, and ex-offenders;
- Have a robust fundraising plan; and,
- Propose the generation of cash leverage in excess of the program requirements.

THDA will announce funding determinations by September 30, ~~2020~~19. Contracts for selected applicants will begin October 1, ~~2020~~19.



**TENNESSEE HOUSING TRUST FUND  
THDA CHALLENGE GRANT PROGRAM  
FY 2021 PROGRAM DESCRIPTION**

The THDA Challenge Grant Program provides initial seed funding to support the private fundraising efforts of nonprofit organizations across Tennessee to implement housing and related activities that represent unique milestones, are part of a broad community initiative, or are part of a significant expansion of work outside the normal day-to-day activities of the organization. Selected proposals must generate cash leverage of at least 300% within nine months of THDA's commitment of Challenge Grant resources to the housing initiative.

**A. ELIGIBLE APPLICANTS**

To be eligible, an organization must meet all of the following:

- Be organized and existing under the laws of the State of Tennessee or organized and existing under the laws of another state, but authorized to do business in Tennessee;
- Must demonstrate at least two years of experience providing affordable housing or affordable housing-related services in the State of Tennessee;
- Have a 501(c)3 designation from the Internal Revenue Service; and
- Be in good program standing with THDA.

**B. FUNDS AVAILABLE**

THDA will determine the funding amount to be made available annually for THDA Challenge Grants and, in any given year, may determine that funding will not be available. THDA has allocated \$500,000 to this program for FY2021; however, THDA reserves the right to not make any awards for FY 2021.

**C. MAXIMUM GRANT**

The maximum grant to be awarded is \$500,000 and the minimum grant is \$50,000.

THDA will determine, in its sole discretion, whether any THDA Challenge Grant will be awarded in any given year and may determine, in its sole discretion, to not award any Challenge Grant in any given year.

#### **D. ELIGIBLE ACTIVITIES**

The housing activity proposed must be outside of the normal business of the applicant and not part of an ongoing or existing project. The activity must represent a unique milestone or opportunity for the applicant and for Tennessee. The scope of the housing activity must demonstrate broad community support and result in a significant community or regional impact.

The housing activity must include or directly support one of the following broad goals:

- Significantly expand or preserve the supply of housing for sale to low and moderate income home buyers, including new construction, reconstruction, and rehabilitation of housing.
- Significantly preserve and enhance the supply of existing owner-occupied units.
- Significantly expand or preserve the supply of rental housing for low and moderate income households, including new construction and rehabilitation of rental housing.
- Significantly reduce the number of individuals who are homeless or move a significant number of a more vulnerable population into housing.

Applications are more likely to be successful if their application clearly demonstrates how the housing activity:

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The following additional resources will not be considered towards the leverage requirements for this program:

1. Administrative costs of the applicant or its partners in the initiative.
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3. Project resources provided through any other programs administered by THDA.
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## **G. MARKETING REQUIREMENTS**

Each successful applicant shall work with the Industry and Government Affairs Division and the Communications Division of THDA to publicize the housing activity and the involvement of THDA. This marketing can include, but is not limited to, photo opportunities and beneficiary stories. THDA shall be listed on all marketing and signage as a contributor of funds in support of the approved housing activity.

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The THDA Executive Director shall periodically report to the THDA Board of Directors regarding THDA Challenge Grants awarded. Each report shall include information about the eligible housing activity, the successful applicant and local community involved, the amount of the Challenge Grant awarded, progress made by the applicant in fundraising and in implementation of the approved housing activity, and, following completion, the impact of the approved housing activity. Grantees shall provide all data, in a form and with the substance as requested by THDA, in its sole discretion.

## **I. APPLICATION PROCESS AND REVIEW**

THDA will offer a single application process for FY2021. THDA will release information on its website regarding the application process by Friday, June 12, 2020. Applications must be submitted by 4:00 PM CDT on Thursday, August 6, 2020.

Applications will be reviewed by designated senior staff of THDA and a recommendation for funding consideration will be made to the THDA Executive Director. The THDA Executive Director will make a recommendation for funding to the THDA Board of Directors for their consideration and approval at their September meeting. THDA reserves the right not to select any proposal submitted.

THDA will provide a preference for applications that:

- Are unique opportunities for the organization;
- Incorporate volunteerism as a key component of the project;
- Result in neighborhood-wide or area-wide redevelopment;
- Address a significant challenge to the community;
- Benefit vulnerable populations, including the homeless, individuals with a disability, youth aging out of foster care, and ex-offenders;
- Have a robust fundraising plan; and,
- Propose the generation of cash leverage in excess of the program requirements.

THDA will announce funding determinations by September 30, 2020. Contracts for selected applicants will begin October 1, 2020.



## Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243  
(615) 815-2200

**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

### **MEMORANDUM:**

TO: Board of Directors, Grants Committee

FROM: Cynthia Peraza, Director of Community Programs

DATE: March 11, 2020

SUBJECT: Request for Approval of 2015-2016 HOME Program Grant Extension for The City of Cleveland

---

### **Recommendation**

Staff recommends approval of the extension request for the 2015-2016 HOME award to the City of Cleveland to December 31, 2020 as further described below.

### **Background**

The City of Cleveland has requested a 6 month extension of the 2015-2016 HOME grant to December 31, 2020. This grant is currently set to expire on June 30, 2020.

This is the second HOME extension request received by the City of Cleveland for the 2015-16 HOME award. The initial one was reviewed and approved in March 2019. Shortly after that extension request was approved, the City was awarded an additional \$321,243 in HOME funds to assist Bradley County in closing out their HOME award.

To date, the City has expended the sum of \$429,064.95, or 64% of its \$673,743 awarded. The City has rehabilitated 8 homes, with one home currently under construction, four additional units have been proposed for assistance, and two homes will soon proceed with work write-ups. The City has noted difficulty in expending the funds within the timeline allotted, but expects to complete the award within the additional timeline requested. The City has contracted with the Southeast Tennessee Development District to administer the program.

# City of Cleveland

CLEVELAND, TENNESSEE

Office of the Mayor

Kevin Brooks  
Mayor



Cleveland Municipal Building  
190 Church Street, N.E.  
P.O. Box 1519  
(423) 476-8931  
(423) 559-3364 Fax

February 26, 2020

Mr. Don Watt  
Director of Community Programs  
502 Deaderick Street, Second Floor  
Nashville, TN 37245

**RE: Cleveland HOME Grant 2015-2016/HM 1516-05, Request for Grant Contract Extension**

Dear Mr. Watt,

The City of Cleveland respectfully requests a 6-month extension on the above referenced project. The current contract expires 6/30/2020. Since our last extension request in March 2019, the City of Cleveland was awarded an additional \$321,243 in rehabilitation funds during the closeout of the Bradley County HOME Grant (HM 1516-19), bringing the available rehabilitation funds for the City of Cleveland to \$673,743. At that time, the City of Cleveland had spent \$127,339 of the grant, leaving \$546,404 in rehabilitation funds available for fiscal year 2020. Since the extension request in 2019, we have assisted 6 more homes and spent \$301,724.95.

**Completed Projects: \$392,331.95**

8 home rehabs

**Projects Underway: \$36,732.00**

1 home rehab; contract signed 2/20/2020, completion date 5/29/2020

**Funds Remaining: \$244,679.05**

There are 4 additional households on the priority list that would benefit from the contract extension. Two households will soon proceed to the work write-up phase. If there are remaining funds after the four households have been served, the City of Cleveland will open a new application round to the public. Cleveland has maintained a list of interested homeowners that the funds will greatly assist.

We are confident that extending the grant contract expiration date to 12/31/2020 ensures that the remaining funds will be spent to assist as many qualified homeowners as possible. Thank you in advance for your patience and assistance. If you have questions, you may contact our administrator, Ms. Emmalyn Bradford, Housing Coordinator at Southeast Tennessee Development District at 423-355-8181 or [em Bradford@sedev.org](mailto:em Bradford@sedev.org). You may also contact Ms. Cathy Andrews, Redevelopment Coordinator, City of Cleveland, for additional information. Ms. Andrews may be reached at 423-457-9562.

Sincerely,

Kevin Brooks  
Mayor



**ATTACHMENT A**  
**TIMELINE OF GRANT ACTIVITY**

**GRANTEE:**                    **CITY OF CLEVELAND**

- |  |            |
|--|------------|
| 1. Policies & Procedures Adopted:                            | 10/10/2016 |
| 2. Initial Public meeting publicized:                        | 3/10/2017  |
| 3. Initial Public meeting held:                              | 4/6/2017   |
| 4. Applications received after meeting:                      | 30         |
| 5. Number of potentially qualifying applicants:              | 24         |
| 6. Date of first work write-up after initial public meeting: | 8/10/2017  |

\*No additional public meetings were held.

**ATTACHMENT B**  
**ADMINISTRATION DRAWS**

**GRANTEE: CITY OF CLEVELAND**

**Total Administration Awarded to the City of Cleveland: \$22,500**

**Total Administration Received from Bradley HOME (1516-19): \$20,250**

**Total Administration Available: \$42,750**

- |                      |           |
|----------------------|-----------|
| 1. Draw 1 - \$4,725  | 6/29/2018 |
| 2. Draw 2 - \$8,100  | 5/29/2019 |
| 3. Draw 3 - \$2,250  | 7/11/2019 |
| 4. Draw 4 - \$14,445 | 1/24/2020 |

**Total Administration Remaining: \$13,230**

# Tab # 6

Items:

Lending Committee Meeting Materials

**Tennessee Housing Development Agency  
Lending Committee**

**March 24, 2020**

**1:00 p.m. Central Standard Time**

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**AGENDA**

1. Call to Order ..... Cleaves
2. Approval of Minutes for January 29, 2020 Meeting ..... Cleaves
3. Ginnie Mae Seller/Service and Federal Home Loan Bank Mortgage Purchase  
Program Authorization ..... Hall
4. Down Payment Assistance Modifications ..... Hall
5. New Start Program Modifications ..... Hall
6. Tyson Foods Employee Down Payment Assistance Grant ..... Hall
7. Adjourn ..... Cleaves

**Location**

William R. Snodgrass—Tennessee Tower  
312 Rosa L. Parks Avenue, Third Floor  
Nashville, TN 37243

The Nashville Room

**Committee Members**

Dorothy Cleaves, Chair  
Regina Hubbard  
John Krenson  
Stuart McWhorter  
Erin Merrick  
Chrissi Rhea

TENNESSEE HOUSING DEVELOPMENT AGENCY  
LENDING COMMITTEE  
January 29, 2020

Pursuant to the call of the Chairman, the Lending Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met in regular session on Wednesday, January 29, 2020, at 10:15 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower, Nashville, Tennessee.

The following Committee members were present: Dorothy Cleaves (Chair), Chrissi Rhea, Erin Merrick, Colleen Daniels for Commissioner of Finance & Administration Stuart McWhorter, and Mike Hedges (Board Chair). Committee members Regina Hubbard and John Krenson were absent. The following board members were also present: John Snodderly, Rick Neal, Austin McMullen, Katie Armstrong for Comptroller Justin Wilson, Jonathan Rummel for Secretary of State Tre Hargett, and Kevin Bradley for Treasurer David Lillard.

Chair Cleaves called the meeting to order and called for consideration of the minutes from November 19, 2019. Upon motion by Ms. Merrick, and second by Ms. Daniels, the minutes were approved.

Chair Cleaves called on Dr. Hulya Arik, THDA Economist, to present the Housing Cost Index for 2020. Referring to her memo dated January 14, 2020, and the attached Board Resolution, Dr. Arik explained the Housing Cost Index (HCI) indicates the percentage of an average Tennessee household's gross monthly income that is required to pay for primary fixed housing costs under existing market conditions. After describing the calculation method, detailed in her memo, Dr. Arik stated the housing cost index for 2020 is 28.67%, slightly lower than last year's index of 29.52%. She noted that lower average interest rates and increased median household income improved the housing affordability for Tennesseans even with increased median home purchase price. Upon motion by Ms. Merrick and second by Ms. Rhea, the Committee recommended adoption of the Board Resolution accepting the 2020 Housing Cost Index and authorizing continued operation of THDA financial assistance programs to the Board.

There being no questions and no further business, Chair Cleaves adjourned the meeting.

Respectfully submitted,

Ralph M. Perrey  
Executive Director

Approved the 24<sup>th</sup> day of March, 2020.



# 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: THDA Board of Directors and Lending Committee

FROM: Lindsay Hall, Chief Operating Officer of Single Family Programs  
Steve Fisher, Director of Capital Markets

DATE: March 11, 2020

SUBJECT: Applications to Ginnie Mae and Federal Home Loan Bank

---

### **Overview**

THDA receives volume cap each year from the Department of Economic and Community Development for the issuance of tax-exempt bonds for all housing purposes, both single family and multifamily. THDA makes a specific amount of current year volume cap available for multifamily purposes and uses volume cap carried forward from prior years for tax-exempt bonds, the proceeds of which are used to purchase THDA single family mortgage loans. Given the high level of demand for THDA mortgage loans, THDA is using volume cap faster than it is being received. THDA is taking several steps to address this issue.

In addition to limitations imposed by volume cap availability, the THDA enabling legislation currently limits THDA debt to \$2.9 billion. Again, due to the high demand for THDA mortgage loans, the amount of debt THDA currently has outstanding is very close to this limit. To address this issue, THDA has worked with the General Assembly to increase this debt limit. Bills are progressing to increase this limit to \$4 billion, however, if THDA mortgage loan demand remains high, this new limit could be approached in the next two to three years.

Given the high level of THDA mortgage loan production, the limits on volume cap available for tax-exempt bonds and the limit imposed by statute, THDA is seeking ways to continue to meet the high demand for loans supported by down payment assistance. One way is the process of becoming a Freddie Mac seller/servicer that began with Board authorization two years ago. Currently THDA is in the testing phase of the Freddie Mac conventional product, GC97, and expects that as much as twenty percent (20%) of THDA production could be shifted to this loan product.

A second way to address these limitations while continuing to meet high demand, is to become approved for Ginnie Mae and Federal Home Loan bank loan products. This will enable THDA to sell government loans (FHA and VA) in the secondary market. In addition, FHLB offers a

program to sell both FHA and conventional loans through its FHLB Mortgage Purchase Program. Having options other than funds available through bond proceeds is critical to THDA's long term production goals. In both options, THDA would sell the loan to be securitized and then retain the servicing of the loan at Volunteer Mortgage Loan Servicing. This will increase the servicing revenue to THDA, relieve volume cap pressure, avoid reaching the debt limit early, while assisting more Tennessee residents achieve sustainable homeownership.

### **Recommendation**

As a consequence of the above, THDA staff recommends the following:

- Authorize development and submission of applications for Ginnie Mae and Federal Home Loan Bank products.
- Authorize evaluation and implementation of business alternatives available under Ginnie Mae and the Federal Home Loan Bank as deemed appropriate by the Executive Director, including without limitation, a determination not to pursue any particular business alternative or all business alternatives.
- Authorize staff to take all actions as determined appropriate by the Executive Director to carry out these activities.



# 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: THDA Board of Directors and Lending Committee

FROM: Lindsay Hall, Chief Operating Officer of Single Family Programs  
Steve Fisher, Director of Capital Markets

DATE: March 11, 2020

SUBJECT: Changes to Down Payment Assistance,  
Lender Compensation and Conventional Products

---

### **Overview**

THDA has completed the first few purchases of conventional loans and the test THDA Originating Agents are registering and delivering loans. The reservation/rate lock system has been operational since early November 2019. Rates are presented daily by Raymond James, the TBA provider, based on the revenue parameters set by THDA. The Warehouse Line Agreement with RBC is in its final stage of editing and the Bank of New York Mellon, selected by Freddie Mac, will be the document custodian.

After substantial discussion on both the type and amount of down payment assistance (DPA) and based on analysis by CSG, THDA's financial advisor, staff determined that \$6,000 for loans below \$150,000 and \$7,500 for loans above \$150,000 would be sufficient to assist the typical THDA borrower. Great Choice loans and Homeownership for the Brave loans, purchased with bond proceeds, will also have the same DPA structure as of July 1, 2020, to keep the DPA offerings identical.

### **Recommendation**

THDA staff is recommending the following changes to the Great Choice Plus Loan Program Down Payment Assistance:

- For loan amounts below \$150,000 the down payment assistance will be an amortizing second mortgage loan with a loan amount of \$6,000, a 30 year term and with the same interest rate as the first mortgage.
- For loan amounts at or above \$150,000 the down payment assistance will be an amortizing second mortgage loan with a loan amount of \$7,500, a 30 year term and with the same interest rate as the first mortgage.



### **Product Offerings**

Currently, THDA is offering the affordable GC97, the GSE product for borrowers with incomes below 80% area median income (AMI) as its conventional loan offering. In addition to this product, there are four other products that complete the THDA conventional loan offering. Each of these products is targeted to meet needs either in small rural communities, in areas where move up buyers would benefit the real estate market or where borrowers seek a product for a financial reason. The complete product list is as follows:

- Best Rate conventional loan –No DPA offered, 80% AMI maximum
- Conventional Affordable Rate Product (GC97) – (Current Product), DPA of \$6,000 or \$7,500 – 80% AMI maximum
- Pre-Paid MI Product – DPA of \$6,000 or \$7,500, 80% AMI maximum
- Pre-Paid MI Product – DPA of \$6,000 or \$7,500, Greater than 80% up to 140% AMI
- Above 80% to 140% AMI – DPA of \$6,000 or \$7,500

### **Timeline**

- Introduce the Conventional Affordable Rate Product (GC97) at the Tennessee Housing Conference to lenders and provide the program rollout schedule for lender participation.
- Add 5-6 additional Originating Agents to the test pilot bringing the total number of Originating Agents in the test to 7-9.
- Create the business rules and design in the loan operating system THELMA 3.0 by June 1, 2020.
- Roll out the additional products in a series as operations are prepared for release. The desire is to provide additional time for pilot Originating Agents to give feedback.
- Utilize the rollout schedule as constructed, provide Originating Agent training and access to new conventional products as staff validate that Originating Agents are prepared for activity.

### **Lender Compensation**

Originating Agent compensation on all THDA loan products, including conventional loans, Great Choice loans and Homeownership for the Brave loans, will be 1.75%, paid to the Originating Agent when THDA purchases the loan. A 1.00% servicing release premium (SRP) will be paid once a file is complete within the first 120 days from closing. All of these changes will be implemented by July 1, 2020. Keeping compensation to the Originating Agents uniform across all THDA loan products is imperative.

### **Estimated Production**

Staff modeled the various conventional loan products and have projected volume by product type to estimate the total conventional loan volumes and estimate the volume of down payment assistance required to reach that volume. These projections are based on available funds per the five year plan and additional recommendations provided by THDA's financial advisor.

The attached spreadsheet shows loan product recommendations, the number of loans associated with that volume and the estimate of down payment assistance required.

Down Payment & Closing Cost Financial Calculations - MRB & Secondary					
	2020	2021	2022	2023	2024
THDA Volume Anticipated	\$ 715,000,000	\$ 750,000,000	\$ 825,000,000	\$ 975,000,000	\$ 975,000,000
Mortgage Revenue Bond	\$ 650,000,000	\$ 500,000,000	\$ 425,000,000	\$ 375,000,000	\$ 375,000,000
Conventional Loan Products	\$ 65,000,000	\$ 250,000,000	\$ 400,000,000	\$ 600,000,000	\$ 600,000,000
Best Rate product	\$ 10,000,000	\$ 25,000,000	\$ 50,000,000	\$ 100,000,000	\$ 100,000,000
Affordable Product	\$ 25,000,000	\$ 75,000,000	\$ 125,000,000	\$ 150,000,000	\$ 150,000,000
Pre-Paid MI Product < 80%	\$ 10,000,000	\$ 75,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Pre-Paid MI > 80% AMI	\$ 10,000,000	\$ 25,000,000	\$ 50,000,000	\$ 100,000,000	\$ 100,000,000
80% to 140% Product	\$ 10,000,000	\$ 50,000,000	\$ 75,000,000	\$ 150,000,000	\$ 150,000,000
	2020	2021	2022	2023	2024
Down Payment Assistance Estimate					
MRB	\$ 28,306,452	\$ 20,454,545	\$ 16,875,000	\$ 14,464,286	\$ 14,062,500
Best Rate product	\$ -	\$ -	\$ -	\$ -	\$ -
Affordable Product	\$ 1,163,793	\$ 3,266,129	\$ 4,821,429	\$ 5,062,500	\$ 5,062,500
Pre-Paid MI Product <80%	\$ 465,517	\$ 3,266,129	\$ 3,857,143	\$ 3,375,000	\$ 3,375,000
Pre-Paid MI Product >80%	\$ 465,517	\$ 1,088,710	\$ 1,928,571	\$ 3,375,000	\$ 3,375,000
80% to 140% Product	\$ 465,517	\$ 2,177,419	\$ 2,892,857	\$ 5,062,500	\$ 5,062,500
Total DPA by Year	\$ 30,866,796	\$ 30,252,933	\$ 30,375,000	\$ 31,339,286	\$ 30,937,500



# 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: THDA Board of Directors and Lending Committee  
FROM: Lindsay Hall, Chief Operating Officer of Single Family Programs  
DATE: March 11, 2020  
SUBJECT: Proposed Change to New Start Mortgage Loan Program

---

The New Start Mortgage Loan Program funds the purchase of first mortgage loans from participating non-profit housing agencies selling newly constructed housing to borrowers at 60% or below of the area median income (AMI) (New Start Mortgage Loan Tier 1) or to borrowers at 60+% to 70% of AMI.

The following are staff recommended program changes for Board consideration:

- Update the current New Start income limits- Tier I (60% or below of AMI) using the 2019 income limits with two categories, 1-2 person households and 3+ households
- Update the current New Start income limits- Tier II (60-70% of AMI) using the 2019 income limits with one income limit
- Eliminate the sales price limit, but retain the maximum New Start Mortgage Loan amounts as follows:
  - \$123,750 in the middle Tennessee counties of Maury, Williamson, Davidson, Rutherford, Wilson and Sumner
  - \$112,500 in all other counties in Tennessee

Attached are proposed income limits per county.

These changes address the significant home price increases in the greater Nashville region while limiting THDA's exposure for New Start Mortgage Loans in that region to a maximum of 75% loan to value (LTV).

The elimination of the sales price limit allows the participating non-profit agency to maintain sales prices at the current market value of these homes and not forgo any equity to be earned on the sale of the property. In addition, based on the maximum loan limit of \$123,750, the increase in sales price limits should decrease the loan to value below 75% thus further limiting the financial risk to THDA.

The New Start Mortgage Loan – Tier I is an uninsured 30 year, 0% fixed rate loan for the purchase of a newly constructed home with a maximum loan to value of 75% of the purchase price. The New Start Mortgage Loan is secured by a deed of trust that is the first lien on the purchased property. The participating non-profit agency secures funding for any subordinate financing to meet the borrower's needs and complete the purchase.

The New Start Mortgage Loan – Tier II offers loans to borrowers whose incomes are above 60%, but at or below 70% of AMI and who are purchasing a newly constructed home from a participating non-profit housing agency. This loan is for 30 years at a fixed interest rate that is 50% of the current interest rate on THDA's Great Choice mortgage loans. Although not a product that has been used in recent years, with the rising cost of housing in middle Tennessee counties, there is a need once again for this loan product.

The New Start Mortgage Loan Program serves a low-income population that otherwise may not find financing available to purchase a home. With these changes to the program, THDA recognizes the rising costs of housing, especially in middle Tennessee, but will continue to limit THDA financial exposure with a maximum LTV of 75%.

# New Start Program Tier I Comparison

Current Income Limits for New Start Program Tier I					
	1-4 Person	5 Person	6 Person	7 Person	8 Person
ANDERSON	\$36,780	\$39,722	\$42,665	\$45,607	\$48,550
BEDFORD	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
BENTON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
BLEDSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
BLOUNT	\$36,780	\$39,722	\$42,665	\$45,607	\$48,550
BRADLEY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CAMPBELL	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CANNON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
CARROLL	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CARTER	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CHEATHAM	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
CHESTER	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CLAIBORNE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CLAY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
COCKE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
COFFEE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CROCKETT	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CUMBERLAND	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
DAVIDSON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
DECATUR	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
DEKALB	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
DICKSON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
DYER	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
FAYETTE	\$34,980	\$37,778	\$40,577	\$43,375	\$46,174
FENTRESS	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
FRANKLIN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
GIBSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
GILES	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
GRAINGER	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
GREENE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
GRUNDY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HAMBLETON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HAMILTON	\$34,200	\$36,936	\$39,672	\$42,408	\$45,144
HANCOCK	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HARDEMAN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HARDIN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689

Proposed Income Limits for New Start - Tier I		
	1-2 Person	3 or more
ANDERSON	\$41,940	\$45,435
BEDFORD	\$38,700	\$41,925
BENTON	\$38,700	\$41,925
BLEDSON	\$38,700	\$41,925
BLOUNT	\$41,940	\$45,435
BRADLEY	\$38,700	\$41,925
CAMPBELL	\$38,700	\$41,925
CANNON	\$48,000	\$52,000
CARROLL	\$38,700	\$41,925
CARTER	\$38,700	\$41,925
CHEATHAM	\$48,000	\$52,000
CHESTER	\$38,700	\$41,925
CLAIBORNE	\$38,700	\$41,925
CLAY	\$38,700	\$41,925
COCKE	\$38,700	\$41,925
COFFEE	\$38,700	\$41,925
CROCKETT	\$38,700	\$41,925
CUMBERLAND	\$38,700	\$41,925
DAVIDSON	\$48,000	\$52,000
DECATUR	\$38,700	\$41,925
DEKALB	\$38,700	\$41,925
DICKSON	\$48,000	\$52,000
DYER	\$38,700	\$41,925
FAYETTE	\$39,540	\$42,835
FENTRESS	\$38,700	\$41,925
FRANKLIN	\$38,700	\$41,925
GIBSON	\$38,700	\$41,925
GILES	\$38,700	\$41,925
GRAINGER	\$38,700	\$41,925
GREENE	\$38,700	\$41,925
GRUNDY	\$38,700	\$41,925
HAMBLETON	\$38,700	\$41,925
HAMILTON	\$42,060	\$45,565
HANCOCK	\$38,700	\$41,925
HARDEMAN	\$38,700	\$41,925
HARDIN	\$38,700	\$41,925

Difference Between Proposed and Current - Tier I		
	1-2 Person	3 or more
ANDERSON	\$5,160	\$5,713
BEDFORD	\$6,360	\$6,998
BENTON	\$6,360	\$6,998
BLEDSON	\$6,360	\$6,998
BLOUNT	\$5,160	\$5,713
BRADLEY	\$6,360	\$6,998
CAMPBELL	\$6,360	\$6,998
CANNON	\$8,280	\$9,102
CARROLL	\$6,360	\$6,998
CARTER	\$6,360	\$6,998
CHEATHAM	\$8,280	\$9,102
CHESTER	\$6,360	\$6,998
CLAIBORNE	\$6,360	\$6,998
CLAY	\$6,360	\$6,998
COCKE	\$6,360	\$6,998
COFFEE	\$6,360	\$6,998
CROCKETT	\$6,360	\$6,998
CUMBERLAND	\$6,360	\$6,998
DAVIDSON	\$8,280	\$9,102
DECATUR	\$6,360	\$6,998
DEKALB	\$6,360	\$6,998
DICKSON	\$8,280	\$9,102
DYER	\$6,360	\$6,998
FAYETTE	\$4,560	\$5,057
FENTRESS	\$6,360	\$6,998
FRANKLIN	\$6,360	\$6,998
GIBSON	\$6,360	\$6,998
GILES	\$6,360	\$6,998
GRAINGER	\$6,360	\$6,998
GREENE	\$6,360	\$6,998
GRUNDY	\$6,360	\$6,998
HAMBLETON	\$6,360	\$6,998
HAMILTON	\$7,860	\$8,629
HANCOCK	\$6,360	\$6,998
HARDEMAN	\$6,360	\$6,998
HARDIN	\$6,360	\$6,998

HAWKINS	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HAYWOOD	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HENDERSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HENRY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HICKMAN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HOUSTON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HUMPHREYS	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
JACKSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
JEFFERSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
JOHNSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
KNOX	\$36,780	\$39,722	\$42,665	\$45,607	\$48,550
LAKE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
LAUDERDALE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
LAWRENCE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
LEWIS	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
LINCOLN	\$32,640	\$35,251	\$37,862	\$40,474	\$43,085
LOUDON	\$36,780	\$39,722	\$42,665	\$45,607	\$48,550
MACON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MADISON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MARION	\$34,200	\$36,936	\$39,672	\$42,408	\$45,144
MARSHALL	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MAURY	\$35,160	\$37,973	\$40,786	\$43,598	\$46,411
MCMINN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MCNAIRY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MEIGS	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MONROE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MONTGOMERY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MOORE	\$34,560	\$37,325	\$40,090	\$42,854	\$45,619
MORGAN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
OBION	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
OVERTON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
PERRY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
PICKETT	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
POLK	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
PUTNAM	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
RHEA	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
ROANE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
ROBERTSON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
RUTHERFORD	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430

HAWKINS	\$38,700	\$41,925
HAYWOOD	\$38,700	\$41,925
HENDERSON	\$38,700	\$41,925
HENRY	\$38,700	\$41,925
HICKMAN	\$38,700	\$41,925
HOUSTON	\$38,700	\$41,925
HUMPHREYS	\$38,700	\$41,925
JACKSON	\$38,700	\$41,925
JEFFERSON	\$38,700	\$41,925
JOHNSON	\$38,700	\$41,925
KNOX	\$41,940	\$45,435
LAKE	\$38,700	\$41,925
LAUDERDALE	\$38,700	\$41,925
LAWRENCE	\$38,700	\$41,925
LEWIS	\$38,700	\$41,925
LINCOLN	\$38,700	\$41,925
LOUDON	\$41,940	\$45,435
MACON	\$38,700	\$41,925
MADISON	\$38,700	\$41,925
MARION	\$42,060	\$45,565
MARSHALL	\$38,700	\$41,925
MAURY	\$38,820	\$42,055
MCMINN	\$38,700	\$41,925
MCNAIRY	\$38,700	\$41,925
MEIGS	\$38,700	\$41,925
MONROE	\$38,700	\$41,925
MONTGOMERY	\$39,000	\$42,250
MOORE	\$38,700	\$41,925
MORGAN	\$38,700	\$41,925
OBION	\$38,700	\$41,925
OVERTON	\$38,700	\$41,925
PERRY	\$38,700	\$41,925
PICKETT	\$38,700	\$41,925
POLK	\$38,700	\$41,925
PUTNAM	\$38,700	\$41,925
RHEA	\$38,700	\$41,925
ROANE	\$38,700	\$41,925
ROBERTSON	\$48,000	\$52,000
RUTHERFORD	\$48,000	\$52,000

HAWKINS	\$6,360	\$6,998
HAYWOOD	\$6,360	\$6,998
HENDERSON	\$6,360	\$6,998
HENRY	\$6,360	\$6,998
HICKMAN	\$6,360	\$6,998
HOUSTON	\$6,360	\$6,998
HUMPHREYS	\$6,360	\$6,998
JACKSON	\$6,360	\$6,998
JEFFERSON	\$6,360	\$6,998
JOHNSON	\$6,360	\$6,998
KNOX	\$5,160	\$5,713
LAKE	\$6,360	\$6,998
LAUDERDALE	\$6,360	\$6,998
LAWRENCE	\$6,360	\$6,998
LEWIS	\$6,360	\$6,998
LINCOLN	\$6,060	\$6,674
LOUDON	\$5,160	\$5,713
MACON	\$6,360	\$6,998
MADISON	\$6,360	\$6,998
MARION	\$7,860	\$8,629
MARSHALL	\$6,360	\$6,998
MAURY	\$3,660	\$4,082
MCMINN	\$6,360	\$6,998
MCNAIRY	\$6,360	\$6,998
MEIGS	\$6,360	\$6,998
MONROE	\$6,360	\$6,998
MONTGOMERY	\$6,660	\$7,323
MOORE	\$4,140	\$4,600
MORGAN	\$6,360	\$6,998
OBION	\$6,360	\$6,998
OVERTON	\$6,360	\$6,998
PERRY	\$6,360	\$6,998
PICKETT	\$6,360	\$6,998
POLK	\$6,360	\$6,998
PUTNAM	\$6,360	\$6,998
RHEA	\$6,360	\$6,998
ROANE	\$6,360	\$6,998
ROBERTSON	\$8,280	\$9,102
RUTHERFORD	\$8,280	\$9,102

SCOTT	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
SEQUATCHIE	\$34,200	\$36,936	\$39,672	\$42,408	\$45,144
SEVIER	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
SHELBY	\$34,980	\$37,778	\$40,577	\$43,375	\$46,174
SMITH	\$33,660	\$36,353	\$39,046	\$41,738	\$44,431
STEWART	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
SULLIVAN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
SUMNER	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
TIPTON	\$34,980	\$37,778	\$40,577	\$43,375	\$46,174
TROUSDALE	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
UNICOI	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
UNION	\$36,780	\$39,722	\$42,665	\$45,607	\$48,550
VAN BUREN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WARREN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WASHINGTON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WAYNE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WEAKLEY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WHITE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WILLIAMSON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
WILSON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430

SCOTT	\$38,700	\$41,925
SEQUATCHIE	\$42,060	\$45,565
SEVIER	\$38,700	\$41,925
SHELBY	\$39,540	\$42,835
SMITH	\$38,700	\$41,925
STEWART	\$38,700	\$41,925
SULLIVAN	\$38,700	\$41,925
SUMNER	\$48,000	\$52,000
TIPTON	\$39,540	\$42,835
TROUSDALE	\$48,000	\$52,000
UNICOI	\$38,700	\$41,925
UNION	\$41,940	\$45,435
VAN BUREN	\$38,700	\$41,925
WARREN	\$38,700	\$41,925
WASHINGTON	\$38,700	\$41,925
WAYNE	\$38,700	\$41,925
WEAKLEY	\$38,700	\$41,925
WHITE	\$38,700	\$41,925
WILLIAMSON	\$48,000	\$52,000
WILSON	\$48,000	\$52,000

SCOTT	\$6,360	\$6,998
SEQUATCHIE	\$7,860	\$8,629
SEVIER	\$6,360	\$6,998
SHELBY	\$4,560	\$5,057
SMITH	\$5,040	\$5,572
STEWART	\$6,360	\$6,998
SULLIVAN	\$6,360	\$6,998
SUMNER	\$8,280	\$9,102
TIPTON	\$4,560	\$5,057
TROUSDALE	\$8,280	\$9,102
UNICOI	\$6,360	\$6,998
UNION	\$5,160	\$5,713
VAN BUREN	\$6,360	\$6,998
WARREN	\$6,360	\$6,998
WASHINGTON	\$6,360	\$6,998
WAYNE	\$6,360	\$6,998
WEAKLEY	\$6,360	\$6,998
WHITE	\$6,360	\$6,998
WILLIAMSON	\$8,280	\$9,102
WILSON	\$8,280	\$9,102

# New Start Program Tier II Comparison

Current Income Limits for New Start Program Tier II					
	1-4 Person	5 Person	6 Person	7 Person	8 Person
ANDERSON	\$42,910	\$46,343	\$49,776	\$53,208	\$56,641
BEDFORD	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
BENTON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
BLEDSE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
BLOUNT	\$42,910	\$46,343	\$49,776	\$53,208	\$56,641
BRADLEY	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
CAMPBELL	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
CANNON	\$46,340	\$50,047	\$53,754	\$57,462	\$61,169
CARROLL	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
CARTER	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
CHEATHAM	\$46,340	\$50,047	\$53,754	\$57,462	\$61,169
CHESTER	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
CLAIBORNE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
CLAY	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
COCKE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
COFFEE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
CROCKETT	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
CUMBERLAND	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
DAVIDSON	\$46,340	\$50,047	\$53,754	\$57,462	\$61,169
DECATUR	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
DEKALB	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
DICKSON	\$46,340	\$50,047	\$53,754	\$57,462	\$61,169
DYER	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
FAYETTE	\$40,810	\$44,075	\$47,340	\$50,604	\$53,869
FENTRESS	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
FRANKLIN	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
GIBSON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
GILES	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
GRAINGER	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
GREENE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
GRUNDY	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
HAMBLE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
HAMILTON	\$39,900	\$43,092	\$46,284	\$49,476	\$52,668
HANCOCK	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
HARDEMAN	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
HARDIN	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
HAWKINS	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
HAYWOOD	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
HENDERSON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
HENRY	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
HICKMAN	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804

Proposed Income Limits for New Start - Tier II	
	ALL Households
ANDERSON	\$48,930
BEDFORD	\$45,150
BENTON	\$45,150
BLEDSE	\$45,150
BLOUNT	\$48,930
BRADLEY	\$45,150
CAMPBELL	\$45,150
CANNON	\$56,000
CARROLL	\$45,150
CARTER	\$45,150
CHEATHAM	\$56,000
CHESTER	\$45,150
CLAIBORNE	\$45,150
CLAY	\$45,150
COCKE	\$45,150
COFFEE	\$45,150
CROCKETT	\$45,150
CUMBERLAND	\$45,150
DAVIDSON	\$56,000
DECATUR	\$45,150
DEKALB	\$45,150
DICKSON	\$56,000
DYER	\$45,150
FAYETTE	\$46,130
FENTRESS	\$45,150
FRANKLIN	\$45,150
GIBSON	\$45,150
GILES	\$45,150
GRAINGER	\$45,150
GREENE	\$45,150
GRUNDY	\$45,150
HAMBLE	\$45,150
HAMILTON	\$49,070
HANCOCK	\$45,150
HARDEMAN	\$45,150
HARDIN	\$45,150
HAWKINS	\$45,150
HAYWOOD	\$45,150
HENDERSON	\$45,150
HENRY	\$45,150
HICKMAN	\$45,150

Difference between Proposed and Current - Tier II	
	ALL Family Sizes
ANDERSON	\$6,020
BEDFORD	\$7,420
BENTON	\$7,420
BLEDSE	\$7,420
BLOUNT	\$6,020
BRADLEY	\$7,420
CAMPBELL	\$7,420
CANNON	\$9,660
CARROLL	\$7,420
CARTER	\$7,420
CHEATHAM	\$9,660
CHESTER	\$7,420
CLAIBORNE	\$7,420
CLAY	\$7,420
COCKE	\$7,420
COFFEE	\$7,420
CROCKETT	\$7,420
CUMBERLAND	\$7,420
DAVIDSON	\$9,660
DECATUR	\$7,420
DEKALB	\$7,420
DICKSON	\$9,660
DYER	\$7,420
FAYETTE	\$5,320
FENTRESS	\$7,420
FRANKLIN	\$7,420
GIBSON	\$7,420
GILES	\$7,420
GRAINGER	\$7,420
GREENE	\$7,420
GRUNDY	\$7,420
HAMBLE	\$7,420
HAMILTON	\$9,170
HANCOCK	\$7,420
HARDEMAN	\$7,420
HARDIN	\$7,420
HAWKINS	\$7,420
HAYWOOD	\$7,420
HENDERSON	\$7,420
HENRY	\$7,420
HICKMAN	\$7,420



HOUSTON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
HUMPHREYS	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
JACKSON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
JEFFERSON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
JOHNSON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
KNOX	\$42,910	\$46,343	\$49,776	\$53,208	\$56,641
LAKE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
LAUDERDALE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
LAWRENCE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
LEWIS	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
LINCOLN	\$38,080	\$41,126	\$44,173	\$47,219	\$50,266
LOUDON	\$42,910	\$46,343	\$49,776	\$53,208	\$56,641
MACON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
MADISON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
MARION	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
MARSHALL	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
MAURY	\$39,900	\$43,092	\$46,284	\$49,476	\$52,668
MCMINN	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
MCNAIRY	\$41,020	\$44,302	\$47,583	\$50,865	\$54,146
MEIGS	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
MONROE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
MONTGOMERY	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
MOORE	\$40,320	\$43,546	\$46,771	\$49,997	\$53,222
MORGAN	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
OBION	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
OVERTON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
PERRY	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
PICKETT	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
POLK	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
PUTNAM	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
RHEA	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
ROANE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
ROBERTSON	\$46,340	\$50,047	\$53,754	\$57,462	\$61,169
RUTHERFORD	\$46,340	\$50,047	\$53,754	\$57,462	\$61,169
SCOTT	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
SEQUATCHIE	\$39,900	\$43,092	\$46,284	\$49,476	\$52,668
SEVIER	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
SHELBY	\$40,810	\$44,075	\$47,340	\$50,604	\$53,869
SMITH	\$39,270	\$42,412	\$45,553	\$48,695	\$51,836
STEWART	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
SULLIVAN	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
SUMNER	\$46,340	\$50,047	\$53,754	\$57,462	\$61,169
TIPTON	\$40,810	\$44,075	\$47,340	\$50,604	\$53,869

HOUSTON	\$45,150
HUMPHREYS	\$45,150
JACKSON	\$45,150
JEFFERSON	\$45,150
JOHNSON	\$45,150
KNOX	\$48,930
LAKE	\$45,150
LAUDERDALE	\$45,150
LAWRENCE	\$45,150
LEWIS	\$45,150
LINCOLN	\$45,150
LOUDON	\$48,930
MACON	\$45,150
MADISON	\$45,150
MARION	\$49,070
MARSHALL	\$45,150
MAURY	\$45,290
MCMINN	\$45,150
MCNAIRY	\$45,150
MEIGS	\$45,150
MONROE	\$45,150
MONTGOMERY	\$45,500
MOORE	\$45,150
MORGAN	\$45,150
OBION	\$45,150
OVERTON	\$45,150
PERRY	\$45,150
PICKETT	\$45,150
POLK	\$45,150
PUTNAM	\$45,150
RHEA	\$45,150
ROANE	\$45,150
ROBERTSON	\$56,000
RUTHERFORD	\$56,000
SCOTT	\$45,150
SEQUATCHIE	\$49,070
SEVIER	\$45,150
SHELBY	\$46,130
SMITH	\$45,150
STEWART	\$45,150
SULLIVAN	\$45,150
SUMNER	\$56,000
TIPTON	\$46,130

HOUSTON	\$7,420
HUMPHREYS	\$7,420
JACKSON	\$7,420
JEFFERSON	\$7,420
JOHNSON	\$7,420
KNOX	\$6,020
LAKE	\$7,420
LAUDERDALE	\$7,420
LAWRENCE	\$7,420
LEWIS	\$7,420
LINCOLN	\$7,070
LOUDON	\$6,020
MACON	\$7,420
MADISON	\$7,420
MARION	\$11,340
MARSHALL	\$7,420
MAURY	\$5,390
MCMINN	\$7,420
MCNAIRY	\$4,130
MEIGS	\$7,420
MONROE	\$7,420
MONTGOMERY	\$7,770
MOORE	\$4,830
MORGAN	\$7,420
OBION	\$7,420
OVERTON	\$7,420
PERRY	\$7,420
PICKETT	\$7,420
POLK	\$7,420
PUTNAM	\$7,420
RHEA	\$7,420
ROANE	\$7,420
ROBERTSON	\$9,660
RUTHERFORD	\$9,660
SCOTT	\$7,420
SEQUATCHIE	\$9,170
SEVIER	\$7,420
SHELBY	\$5,320
SMITH	\$5,880
STEWART	\$7,420
SULLIVAN	\$7,420
SUMNER	\$9,660
TIPTON	\$5,320

TROUSDALE	\$46,340	\$50,047	\$53,754	\$57,462	\$61,169
UNICOI	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
UNION	\$42,910	\$46,343	\$49,776	\$53,208	\$56,641
VAN BUREN	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
WARREN	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
WASHINGTON	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
WAYNE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
WEAKLEY	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
WHITE	\$37,730	\$40,748	\$43,767	\$46,785	\$49,804
WILLIAMSON	\$46,340	\$50,047	\$53,754	\$57,462	\$61,169
WILSON	\$46,340	\$50,047	\$53,754	\$57,462	\$61,169

TROUSDALE	\$56,000
UNICOI	\$45,150
UNION	\$48,930
VAN BUREN	\$45,150
WARREN	\$45,150
WASHINGTON	\$45,150
WAYNE	\$45,150
WEAKLEY	\$45,150
WHITE	\$45,150
WILLIAMSON	\$56,000
WILSON	\$56,000

TROUSDALE	\$9,660
UNICOI	\$7,420
UNION	\$6,020
VAN BUREN	\$7,420
WARREN	\$7,420
WASHINGTON	\$7,420
WAYNE	\$7,420
WEAKLEY	\$7,420
WHITE	\$7,420
WILLIAMSON	\$9,660
WILSON	\$9,660



# 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: THDA Board of Directors and Lending Committee

FROM: Lindsay Hall, Chief Operating Officer of Single Family Programs

DATE: March 11, 2020

SUBJECT: Tyson Foods, Inc. Employee Down Payment Assistance Grant

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### **Overview**

Over the past several years, THDA Industry and Government Affairs staff have reached out to employers in Tennessee to discuss the benefits of homeownership for employees and, secondarily, to the employer. Currently, THDA offers the Step-In Program to state government employees. The Step-In Program provides a significant discount to the cost of the online Pre-Purchase Homebuyer Education course required for any homebuyer wishing to obtain a THDA loan.

When Tyson Foods, Inc. introduced their plans to build a new Tyson Food Plant in Humboldt, TN, they had third party housing studies done in Humboldt and the surrounding cities. These studies showed a shortage of housing opportunities for a future plant of 1,500 employees. Tyson is currently in conversations with local governments, non-profit housing agencies and local builders/developers to expand opportunities for their employees.

Tyson requested information about the Great Choice Loan Program with down payment assistance (DPA). Tyson expressed an interest in contributing \$1,000,000 in additional DPA funds to make DPA grants to their employees who seek THDA Great Choice loans with THDA DPA. In conversations between THDA and Tyson, THDA recommended and Tyson agreed to offer \$2,500 per employee household for a DPA grant program to serve approximately 400 employee households. THDA also recommended and Tyson agreed to structure the DPA as a third loan (following the Great Choice loan and the THDA DPA loan) with loan forgiveness over a 5 year period at 20% per year. Tyson anticipates recaptured funds would be recycled to assist additional employee households.

THDA has allowed other grant or DPA programs to be layered on the Great Choice and Great Choice Plus loan programs. This does not place any undue risk on THDA. In fact, the borrowers who are eligible Tyson employees will close their Great Choice loan at a lower loan to value ratio, thus minimizing some of THDA's risk. The Tyson DPA will meet all applicable insurer or guarantor's guidelines, so the THDA loan will be appropriately insured or guaranteed.

THDA staff believes this presents THDA with a huge opportunity to bring private funding to a state mortgage loan program in order to increase homeownership opportunities in Tennessee with emphasis on the rural communities that could use the infusion to their economies. THDA hopes that this will encourage other employers to consider this option as an employee benefit when opening new plants and offices throughout the state.

### **Recommendation**

THDA will act as the administrator for the Tyson DPA funds. No THDA funds will be involved and Tyson will determine eligibility of employees for the Tyson funds. Essentially, a prospective borrower will make application for a THDA loan with DPA in the normal fashion and will provide their lender with documentation from Tyson showing they are eligible to receive the Tyson DPA grant. This documentation will come to THDA and, upon purchase of a loan, THDA will release the Tyson DPA funds to facilitate the purchase of a home by the borrower. Appropriate agreements will be entered into between THDA and Tyson to protect THDA, given the limited role THDA will play in this process.

To move forward with the Tyson DPA, staff recommends the following:

- Authorize staff to receive \$1,000,000 in Tyson funds in order to disburse these funds when a loan is purchased by THDA.
- Authorize development and execution of an agreement to reflect this source and use of funds.
- Authorize staff to take all actions as determined appropriate by the Executive Director to carry out the activity described in this memo.

# Tab # 7

Items:

Tax Credit Committee Meeting Materials

**Tennessee Housing Development Agency  
Tax Credit Committee**

**March 24, 2020**

**1:00 p.m. Central Standard Time**

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**AGENDA**

1. Call to Order ..... Tully
2. Approval of Minutes from January 29, 2020 Meeting ..... Tully
3. Amendment to the 2020 Multifamily Tax-Exempt Bond Authority Program  
Description ..... King
4. Adjourn ..... Tully

**LOCATION**

Tennessee Tower  
312 Rosa L. Parks Avenue  
Third Floor  
Nashville, TN 37243

The Nashville Room

**COMMITTEE MEMBERS**

Lynn Tully, Chair  
David Lillard  
Stuart McWhorter  
Erin Merrick  
John Snodderly

## THDA Board Meeting

### Tab # 6 – Tax Credit Committee

All documentation will be sent under separate cover

# Tab # 8

Items:

Blank – no materials