

UTAH HOUSING CORPORATION
Minutes of Special Meeting
June 6, 2014

PARTICIPANTS

Trustees:

Douglas DeFries, Chair
Kay Ashton, Vice Chair
Mark Cohen, Trustee
Lucy Delgadillo, Trustee
Lerron Little, Trustee

Staff:

Grant Whitaker, UHC President and CEO
Cleon Butterfield, UHC Senior Vice President and CFO
Jonathan Hanks, UHC Senior Vice President and COO
Kathy Crockett, UHC Executive Assistant

Visitors:

Fred Olsen, Ballard Spahr
Preston Olsen, Ballard Spahr
Ryan Warburton, Ballard Spahr
Stan Dirks, Orrick, Herrington, & Sutcliffe LLP
Steve Spitz, Orrick, Herrington, & Sutcliffe LLP
Barry Gottfried, Wells Fargo

Trustees of the Utah Housing Corporation (UHC or Utah Housing) UHC staff, and guests met in a Special Meeting on June 6, 2014 at 7:30 AM MDT in person at the Waldorf Astoria, Park City, Utah.

The meeting was called to order by Chair, Doug DeFries. The Chair then determined for the record that a quorum of Trustees was present, as follows:

Douglas DeFries, Chair
Kay Ashton, Vice Chair
Mark Cohen, Trustee
Lucy Delgadillo, Trustee
Lerron Little, Trustee

The Chair excused the following Trustees:

Jon Pierpont, Trustee
Robert Whatcott, Trustee
Richard Ellis, Trustee
Edward Leary, Trustee

The President then reported that the Notice of the Special Meeting was given to all Trustees of Utah Housing and that material addressing the agenda items had been distributed to the Trustees in advance of the meeting.

The President then acknowledged a Verification of Giving Notice, evidencing the giving of not less than 24 hours public notice of the date, time, place and summary of agenda of the Utah Housing Corporation Special Meeting in compliance with the requirements of the Open and Public Meetings Act, Section 52-4-202, Utah Code Annotated 1953, as amended; together with the form of Notice of Special Meeting referred to therein; and also the required public notice of the 2014 Annual Meeting Schedule of Utah Housing will be entered into the Minutes. Mr. DeFries began by welcoming the participating Trustees, staff and guests.

The Chair called for the first agenda item.

1. Approval of the Minutes of April 24, 2014, Regular Meeting

The President had provided each Trustee with a copy of the written minutes of the April 24, 2014, Regular Meeting, and the Trustees acknowledged they had sufficient time to review these minutes. Mr. DeFries asked for any discussion on the April 24, 2014 minutes as presented.

Following any discussion, the Chair called for a motion.

MOTION:	APPROVE THE WRITTEN MINUTES OF THE REGULAR MEETING OF April 24, 2014
Made by:	Mark Cohen
Seconded by:	Lerron Little
Vote:	Unanimous approval

The Chair called for the next agenda item.

2. Resolution 2014-06 Authorizing the issuance of not to exceed \$100,000,000 GNMA MBS

RESOLUTION 2014-06

A RESOLUTION OF UTAH HOUSING CORPORATION AUTHORIZING THE PURCHASE OF NOT TO EXCEED \$100,000,000 OF SINGLE FAMILY MORTGAGE LOANS, THE EXCHANGE OF SUCH MORTGAGE LOANS FOR GINNIE MAE MORTGAGE-BACKED SECURITIES, THE SALE OF SUCH GINNIE MAE MORTGAGE-BACKED SECURITIES AND AUTHORIZING ALL DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND RELATED MATTERS.

Mr. Whitaker introduced Resolution 2014-06, 07 and 08 as they all relate to raising capital for the purchase of single family loans. At this time, UHC is 11 months into the fiscal year and it

appears that the overall production will be about the same as last fiscal year of about \$520,000,000. Mr. Whitaker referred to the table of Capital Sources under tab 2. He said that the table identified five different capital sources and represented amounts sold under the different pools but indicated that not all of the amounts are yet settled. Only three sources would require addressing today. Two of the capital sources are Homes and Fannie Mae and those are addressed in Resolutions 2014-06 & 07. Sales of loans into CRA participation pools, not being addressed at this meeting, are lower at only 22% of last year's production because the rates offered by the participating industrial banks have typically been higher than the other sources of funds, reducing the profitability to Utah Housing. Certain of the loan programs only fit some capital sources so as loan production comes in, the staff identifies the expected MBS or pool where the loans will best fit based on borrower qualifications, loan type and rate, and profitability to Utah Housing.

Two of the funding sources require specific types of loans to fit the required specifications. The Homes program requires loans that comply with all tax-exempt requirements just as those loans originated for many years were made to fit the requirements of the tax-exempt mortgage revenue bonds. For example most "compliant" loans have borrowers who are first-time home buyers, have income and sales price within more restrictive limits, and are subject to recapture under federal tax regulations. However even some of these compliant loans can be placed into the Ginnie Mae TBAs or into the CRA pools or the taxable bond pools. Under the NoMI program, the loans are not FHA insured and have no mortgage insurance premiums related to the loan and therefore have the lowest monthly payment. This program has represented about 24% of the production since it was introduced.

So far this fiscal year, sales of bonds or securities to fund the loans has exceeded \$607,000,000 compared to all of last fiscal year at \$587,000,000. Premiums or anticipated income to be received will have raised just a little more than \$22,000,000. Of that amount about \$19,000,000 will produce upfront premium income and about \$3,000,000 is anticipated annual income. As settlement of pools near, loans are moved around to capital sources when possible to maximize premium income or spread to our cost of funds in order to increase servicing fees or ongoing income. Mr. Whitaker asked the Board to refer to the next sheet beneath this table showing loan purchases by program and capital sources last year compared to loans purchased year to date.

Resolution 2014-06 approves new issuance of \$100,000,000 standard Ginnie Mae MBS adding to the nearly \$1,000,000,000 funded so far. FHA insured loans from FirstHome, Score & HomeAgain can all be placed in Ginnie Mae MBS. This has been the bread and butter program for Utah Housing since 2009.

He noted the resolution does not have an exhibit, but incorporates the authority to make second mortgages for down payment assistance in an amount equal to 6% of the amount of first mortgage loans to be purchased, and with interest rates equal to 2% higher than the related first mortgage rate. Mr. Whitaker recommended that Resolution 2014-06 be adopted.

**MOTION: APPROVE RESOLUTION 2014-06 AUTHORIZING THE
ISSUANCE OF NOT TO EXCEED \$100,000,000 GNMA
MBS**

Made by: Kay Ashton

Seconded by: Mark Cohen

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

Douglas DeFries	Yes, as filed with UHC
Kay Ashton	Yes, as filed with UHC
Mark Cohen	Yes, as filed with UHC
Lucy Delgadillo	No interest to disclose
Lerron Little	Yes, as filed with UHC

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Following further discussion, Mr. DeFries called for a vote in this matter:

Vote: Approved Unanimously

The Chair called for the next agenda item.

3. ***Resolution 2014-07 Authorizing the issuance of not to exceed \$75,000,000 Fannie Mae MBS or whole loan transactions.***

RESOLUTION 2014-07

A RESOLUTION OF UTAH HOUSING CORPORATION AUTHORIZING THE PURCHASE OF UP TO \$75,000,000 OF SINGLE FAMILY MORTGAGE LOANS, THE SALE OF SUCH MORTGAGE LOANS TO FANNIE MAE FOR CASH OR THE EXCHANGE OF SUCH MORTGAGE LOANS FOR FANNIE MAE MORTGAGE-BACKED SECURITIES, THE SALE OF SUCH FANNIE MAE MORTGAGE-BACKED SECURITIES, AND AUTHORIZING ALL DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND RELATED MATTERS.

Mr. Whitaker introduced Resolution 2014-07 authorizing up to \$75,000,000 new Fannie Mae production. Whole loans or MBS can be sold to Fannie Mae. Production of loans for this program have been to date only whole loans, however staff is contemplating placing the loans into a Fannie Mae Mortgage Backed Security because pricing may be better than whole loan executions. NoMI is the only loan type funded with this source of funds so far and has

produced 24% of the production since its introduction. With no mortgage insurance premiums, the monthly loan payments are lower than any other loan program offered by Utah Housing.

Fannie Mae offers another product that we are looking at introducing later this year called the HFA Preferred Program. This program offers pricing to the state housing finance agencies that is lower than Fannie Mae offers to its other business partners. The loans must be privately insured but even with the risk of the private insurers who have not been resilient in recessionary times, Fannie Mae will assume all of the risk of loss. The new loan program will be brought to the Board's Housing Committee and then the Board later this year. The HFA preferred program has been a really good loan producer for other HFA's. High loan to value ratio loans are allowed. He noted that this program has recently been offered to five other non HFA non-profit organizations who are competing with the HFAs in the down payment assistance arena. One larger California multi-county operation has moved into Nevada, Utah, Idaho and Colorado and may provide some stiff competition to the HFAs.

Jonathan Hanks described more about the non-profit offering noting that they are not only offering a subordinate loan for down payment assistance but are now offering a grant offset by a higher interest rate on the first mortgage. He also noted that the non-profit is paying a higher servicing release premium to the lenders than Utah Housing pays.

Mr. Whitaker observed that the loans under the NoMI program have had no delinquencies so far, and the importance of that is that Utah Housing must buy back any loan that becomes seriously delinquent in the first year after the loan is made. With no mortgage insurance, those loans would be held on our books with no other place to sell them. Utah Housing has mitigated that risk by requiring higher credit scores, and a higher interest rate. Fannie Mae requires each borrower to complete a pre-purchase home buyer education course.

With no further comment, Mr. Whitaker recommended that Resolution 2014-07 be adopted.

**MOTION: APPROVE RESOLUTION 2014-07 AUTHORIZING THE
ISSUANCE OF \$75,000,000 FANNIE MAE MBS OR
WHOLE LOAN TRANSACTIONS**

Made by: Mark Cohen
Seconded by: Lerron Little

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

Douglas DeFries	Yes, as filed with UHC
Kay Ashton	Yes, as filed with UHC
Mark Cohen	Yes, as filed with UHC
Lucy Delgadillo	No interest to disclose
Lerron Little	Yes, as filed with UHC

become interested, and also noted that although we might do more of these transactions, we wish to be certain that plenty of investors are ready to buy them. Utah Housing does not wish to be the only issuer participating in the HOMES program. Mr. Whitaker continued to explain that mortgages within these pools must be fully conforming FHA loans, compliant with all tax-exempt requirements. All the loans placed in the HOMES pools are the FirstHome loans and they will perform under HOMES as well as any of the other funding source.

Mr. DeFries noted that HOMES added efficiencies by eliminating negative carry, arbitrage rebate and bond rating fees charged by rating agencies.

Mr. Cohen asked who the investors were who were buying the HOMES securities. Mr. Gottfried stated it was largely fund managers acting on behalf of banks. He said that banks are natural investors because they regularly buy mortgage backed securities and that they price these HOMES securities more like mortgages. They assume an average life more like a mortgage than investors who typically invest in revenue bonds that are priced to the full maturity, which can be thirty years or more. He said it is hoped that Utah’s industrial banks will also find these to be attractive investments.

With no further comment, Mr. Whitaker recommended that Resolution 2014-08 be adopted.

MOTION: APPROVE RESOLUTION 2014-08 AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$75,000,000 TAX EXEMPT GNMA MBS

Made by: Lerron Little
Seconded by: Kay Ashton

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

Douglas DeFries	Yes, as filed with UHC
Kay Ashton	Yes, as filed with UHC
Mark Cohen	Yes, as filed with UHC
Lucy Delgadillo	No interest to disclose
Lerron Little	Yes, as filed with UHC

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing, that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Mr. DeFries called for a vote in this matter:

Vote: Approved Unanimously