

**UTAH HOUSING CORPORATION**  
**Minutes of Regular Meeting**  
**April 28, 2016**

**PARTICIPANTS**

Trustees:

Kay Ashton, Chair  
Lerron Little, Vice Chair  
David Damschen, Trustee  
Mark Cohen, Trustee  
Lucy Delgadillo, Trustee  
Edward Leary, Trustee

Staff:

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

Guests:

none

Trustees of the Utah Housing Corporation (UHC or Utah Housing) and UHC staff met in a Regular Meeting on April 28, 2016, at 1:30 PM MDT at the offices of Utah Housing Corporation, 2479 S Lake Park Blvd, West Valley City, Utah and via teleconference.

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

Kay Ashton, Chair (via teleconference)  
Lerron Little, Vice Chair (via teleconference)  
David Damschen, Trustee (via teleconference)  
Mark Cohen, Trustee (via teleconference)  
Lucy Delgadillo, Trustee (via teleconference)  
Edward Leary, Trustee (via teleconference)

The Chair excused the following Trustees:

Cate Burrows, Trustee  
Jon Pierpont, Trustee  
Robert Majka, Trustee

The Chair welcomed everyone to the meeting. The Chair then introduced the President and CEO, Grant Whitaker, and announced that he would be taking the Trustees through the Board Packet.

Grant S. Whitaker, President of Utah Housing, then reported that the Notice of the Regular 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.

Mr. Whitaker 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 Regular Meeting referred to therein; and also the required public notice of the 2016 Annual Meeting Schedule of Utah Housing will be entered into the Minutes.

The Chair called for the first agenda item.

**1. Approval of the Minutes of February 25, 2016 Regular Meeting**

The Trustees had been provided with a copy of the written minutes of the February 25, 2016 Regular Meeting in their board packets. The Trustees acknowledged they had sufficient time to review these minutes. Mr. Ashton asked for any discussion on the February 25, 2016, minutes as presented.

Following any discussion, the Chair called for a motion.

**MOTION: TO APPROVE THE WRITTEN MINUTES OF THE  
REGULAR MEETING OF FEBRUARY 25, 2016.**

**Made by: Mark Cohen**  
**Seconded by: Lucy Delgadillo**  
**Vote: Unanimous Approval**

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The Chair called for the next agenda item.

**2. Resolution 2016-08, amending and restating Resolution 2016-04 authorizing the  
issuance of not to exceed \$75,000,000 Fannie Mae MBS**

**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 began by saying at the February 25<sup>th</sup> Board Meeting, 4 separate resolutions were adopted for 4 different capital sources to purchase single family loans. The fourth of those items was Resolution 2016-04, which approved the issuance of up to \$75,000,000 Mortgage Backed Securities & whole loans for sale to Fannie Mae.

This is the exclusive source of funding for UHC's only conventional loan product, the NoMI Loans or No Mortgage Insurance loans. The NoMI loan product offers the lowest monthly payment because the borrower pays no mortgage insurance premium.

All of UHC's loan products offer a 2<sup>nd</sup> mortgage for down payment and closing costs. Resolution 2016-04 authorized UHC general funds to be used for 2<sup>nd</sup> mortgages at an interest rate 2% higher than the 1<sup>st</sup> mortgage rate and in an amount up to 4% of 1<sup>st</sup> mortgage amount. That differs from the other loan products. For example; UHC's FirstHome Loan and HomeAgain Loan products permit 2<sup>nd</sup> mortgage loans up to 6% of the 1<sup>st</sup> mortgage amount.

The lower 2<sup>nd</sup> mortgage amount on NoMI loans was initially set as a hedge against the risk of being required by Fannie Mae to repurchase any delinquent loans at the end of the first 12 months. UHC also requires FICO scores of 700 or above on NoMI loans and home buyer education is also required, both of which we think adequately covers our risk

Mr. Whitaker said the NoMI loans perform much better than any other UHC loan product and asked Jonathan Hanks to provide some background on that.

Mr. Hanks explained that as of the end of March, we had a total delinquency rate on the NoMI portfolio of 0.62% on approximately 1,600 loans and just under \$300,000,000 worth of loans. That compares to a total delinquency rate on our FirstHome product at about 7% and a total delinquency rate on our HomeAgain product, a little over 5% and a total delinquency rate on the SCORE product at about 9.5%. Comparatively speaking, the NoMI program has performed incredibly well. We have had only one loan that is going to foreclosure right now because the homeowner passed away. Other than that one foreclosure, we have not experienced any foreclosures on account of our ability to modify loan terms.

Mr. Hanks further explained that the risk Utah Housing has on the NoMI loans is if the loan is delinquent at the time that the 13<sup>th</sup> payment becomes due and payable, then Utah Housing is liable to repurchase that loan. At this point, out of the loans that have gone delinquent, Utah Housing retains the liability for just two.

Mr. Whitaker reported that we've been told by our mortgage lenders that if we were to increase the amount of the 2<sup>nd</sup> mortgage up to 5% of the 1<sup>st</sup> mortgage loan amount from 4%, qualifying home buyers would take the NoMI product instead of FirstHome, because it has a lower monthly payment. Resolution 2016-08 authorizes 2<sup>nd</sup> mortgage amounts for down payment & closing costs to increase from 4% to 5% of the 1<sup>st</sup> mortgage amount. We believe this change will increase demand for NoMI and decrease demand for FirstHome.

Mr. Whitaker stated we have two principal objectives to achieve with the proposed change:

1. Decrease the usage of the limited amount of Private Activity Bond Cap (Cap) required for tax exempt GNMA's that is the primary funding source for FirstHome
2. Increase ability for participating lenders to earn higher fees for NoMI loans compared to FirstHome loans

Although we have a large sum of unused Cap from previous years, UHC is assured of only 42% of the annual total allocation to Utah, or about \$128 million. Mr. Whitaker said Cleon Butterfield has some information on how long that should last.

Mr. Butterfield noted that with the FirstHome product UHC takes a little less premium, the lenders take a little less service release fee, and the homebuyer gains with a little lower mortgage interest rate.

We have seen an increase in FirstHome volume and we're going to need to manage the Cap that we receive from the Private Activity Bond Board. We've been able to use a lot of carry forward which is unused Cap that can be used in future years, because other types of issues have not been very active. This year multifamily developers are more active and they are seeking Cap, so the carry forward into next year will be reduced. We're thinking that in 2017, we'll need to cut our current FirstHome production by about 34%. We can do that in a number of ways, but the first step is to see if by giving a little larger down payment assistance to the NoMI, that would pull some of that demand for FirstHome to NoMI.

Mr. Whitaker continued, that we estimate demand for FirstHome will exceed \$400 million in 2016. Our reservations are 34% ahead of last year to date, and we are about 22% ahead of 2015 loan purchases, which was our banner year of about \$760,000,000. Lenders receive fewer fees on FirstHome because Treasury Regulations limit the amount of spread between the mortgage yield (including lender fees) and UHC's cost of capital.

Some lenders have indicated a need to increase revenue on UHC loans. The Dodd Frank Act requires loan officer compensation to be the same for all loans, so the institutions are earning less money as they pay much of their fee income to the loan officers but earn less fee for Utah Housing's loans. We're thinking that by transferring demand over to NoMI, there will be a benefit to home buyers with the larger down payment assistance option and lowest monthly payment, and the lenders can earn more fee income. There may be other incremental changes made in the future to reduce demand for FirstHome, but doing one change at a time will allow us to see the effects of each change.

Approving the resolution will enable Utah Housing to keep its production levels high and serve its mission, so it is our recommendation to approve Resolution 2016-08.

Mr. Ashton then asked if there were any additional comments or discussion from the Board, and following any additional discussion asked for a motion to adopt the resolution.

**Motion: TO APPROVE RESOLUTION 2016-08 OF UTAH HOUSING CORPORATION AMMENDING AND RESTATING RESOLUTION 2016-04 WHICH AUTHORIZED THE ISSUANCE OF NOT TO EXCEED \$75,000,000 FNMA MBS**

**Made by: Lerron Little**  
**Seconded by: Edward Leary**

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

David Damschen

No interest to disclose

Edward Leary	No interest to disclose
Lerron Little	Yes, as filed with UHC
Lucy Delgadillo	No interest to disclose
Mark Cohen	Yes, as filed with UHC
Kay Ashton	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. Ashton called for a vote on the motion:

**Vote:           Approved Unanimously**

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**Other items of Business**

Mr. Whitaker reminded the board of the Annual Board Retreat in Park City at the Waldorf Astoria June 8, 9 and 10. We'll have a day with a board meeting and we'll have a day with some important tutorials. Robert Majka recommended that we spend some time walking through the entire process of our single family loan production, and that's how we are thinking of spending the tutorial session. He invited the Trustees to let him know if there are other topics they would like to discuss.

Following the other items of business The Chair adjourned the meeting.