

MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS
WEST VIRGINIA HOUSING DEVELOPMENT FUND
July 31, 2019

The regular meeting of the Board of Directors of the West Virginia Housing Development Fund (the "Fund") was held on Wednesday, July 31, 2019, at the offices of the West Virginia Housing Development Fund, 5710 MacCorkle Avenue, SE, Charleston, West Virginia. The Vice Chair called the meeting to order at 1:00 p.m. with the following members present throughout, except where noted:

Norman Bailey, Representative for the Honorable Kent Leonhardt,
Commissioner of Agriculture
David Gardner, Vice Chair
Bob Nistendirk, Member
Mary Skeens, Member (via phone)
Josh Stowers, Representative for the Honorable John Perdue, Treasurer (via phone)
Steven Travis, Representative for the Honorable Patrick Morrissey, Attorney General
Ann Urling, Chair (via phone)

Members Absent:

John Gianola, Member
Sam Kapourales, Member

Staff present:

Erica Boggess, Executive Director
Joshua Brown, Senior Manager – Asset Management
Wanda Childers, HOME Program Specialist
Cathy Colby, Senior Manager – HOME and HTF Programs
Julie Davis, Deputy Director – Production
Lauren Hunter, Loan Processor and Closer
Bret Jones, Credit and Risk Analyst
Chad Leport, Division Manager - Accounting and Finance
Martha Lilly, Legal Assistant
Jill Martin, Executive Assistant
Kelley Ridling, Senior Manager - Internal Audit
Patti Shamblin, Division Manager – Single Family Lending
Kristin Shaffer, Senior Legal Counsel
Crystal Toney, Deputy Director - Administration

Michelle Wilshere, Senior Manager – Low Income Housing Tax Credit Program
Warnie White, Multi-Family Loan Processor/Closer
Taran Wolford, Senior Manager – Human Resources

Others Present:

Kelley Goes, Jackson Kelly PLLC

APPROVAL OF THE MINUTES OF JUNE 26, 2019
MEETING

Representative Norman Bailey moved the approval of the minutes of the June 26, 2019 meeting. His motion was seconded by Member Bob Nistendirk, and, upon the affirmative vote of six (6) members present, the Vice Chair declared the motion adopted.

BOND INDUCEMENT RESOLUTION

Julie Davis presented a request for approval of a Bond Inducement Resolution on behalf of Potomac Heights Apartments, a 141-unit rental community for seniors and families in Keyser. Potomac Heights, LLC, an affiliate of Heritage Housing, Inc., is the borrower on the transaction and is in the process of applying for 4% tax credits. If it is awarded the credits, it will need tax exempt bond financing to fund the costs of the acquisition and rehabilitation of the project.

The Fund is being asked to serve as the conduit bond issuer on behalf of Potomac Heights, LLC. The bond amount requested is not to exceed \$9,500,000. The Fund, as the conduit issuer, will provide access to the tax-exempt bond market. The bonds will not be a general or moral obligation of the Fund, and the bonds are not a debt of the State. Any default by the Borrower will not affect the Fund's ratings. The bonds will use bond volume cap and count against the Fund's maximum bonds outstanding limit of \$1.25 billion, and the Fund has sufficient bond volume cap to meet this request while considering its direct financing needs. The Fund will earn a financing fee of 20 basis points of the issuance amount and all costs of issuance will be paid by the Borrower.

Ms. Davis recommended the Board's approval of the Bond Inducement Resolution with Heritage Housing, LLC. If approved, staff and the financing team will begin the preliminary steps of the financing transaction and staff will return to the Board for approval of the final bond authorizing resolution before bonds are issued.

Representative Steven Travis joined the meeting.

Member Nisterdirk moved approval of the Bond Inducement Resolution for Conduit Financing of up to \$9,500,000 for the acquisition and rehabilitation of Potomac Heights

Apartments. His motion was seconded by Representative Bailey, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

A copy of the Bond Inducement Resolution is attached as Exhibit A.

PLAN OF FINANCE

Ms. Davis presented a Plan of Finance and the Fifty-second Supplemental Resolution authorizing the issuance of New Money Bonds, not to exceed a maximum aggregate principal amount of up to \$50,000,000. Ms. Davis stated that the Bonds may be issued in multiple series prior to December 31, 2019.

Ms. Davis noted that the Board approved a Plan of Finance for 2019 at the December 2018 meeting. In March 2019, staff completed the 2019 Series A issuance in the amount of \$35,000,000. Only \$15,000,000 of authority remains under the Fifty-first Supplemental Housing Finance Bond Resolution, and this Fifty-second Supplemental Housing Finance Bond Resolution is being recommended to provide sufficient authorization for the upcoming single-family transaction. Production has remained steady, and staff will likely need bond proceeds soon if the market remains as such. There is approximately \$2,500,000 uncommitted from the 2019 bond proceeds.

Staff is seeking Board approval of the Plan of Finance, the Fifty-second Supplemental Resolution, the form of the Official Statement and approval of continued use of Raymond James as underwriter.

Member Nistendirk moved the approval of the continued use of Raymond James as underwriter. His motion was seconded by Representative Steven Travis, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

Representative Bailey moved the approval of the Plan of Finance, the Fifty-second Supplemental Resolution and the form of the Official Statement. His motion was seconded by Member Nistendirk, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

A copy of the Plan of Finance is attached as Exhibit B.

MULTIFAMILY LOANS AND HOME LOAN TO EAST WEST APARTMENTS

Kristin Shaffer presented three loan requests from East West Apartments L.P. to finance the new construction of a scattered site twenty (20) unit Low-Income Housing Tax Credit Program

("LIHTCP") project located in Charleston, known as East West Apartments that will target families for occupancy.

Ms. Shaffer informed the Board that both the project's market study and the Fund's 2014 Housing Needs Assessment indicate a strong demand for the project. Ms. Shaffer also stated that the project's development team is experienced, and staff has a high level of confidence in the developer's ability to complete the proposed project.

Ms. Shaffer stated that the first request is for a construction loan in the amount of up to \$3,000,000 with an interest rate of 5.0% for a term of twenty-four (24) months. The loan will be secured by a first lien deed of trust on the land and improvements known as Hunt and Sixth Street Townhouses and Ruffner Avenue Townhouses. The Fund will also be secured by the Corporate guarantees of East West GP, LLC, East West Associates LLC, Grant Street Commons LLC, personal guarantees of Chris Sadd, Mark Sadd and Steve Sadd, and Payment and Performance Bonds equal to 100% of the construction contracts.

Ms. Shaffer stated that the second request is for a permanent loan in the amount of up to \$445,000, with an interest rate of 5.5%. Payments will have a twenty (20) year balloon maturity. The permanent loan will be secured by a first lien deed of trust on the subject property, the project's operating and replacement reserves, and limited guarantees by the same parties guarantying the construction loan.

Ms. Shaffer stated that the third request is for a HOME loan in the amount of up to \$670,000, with an interest rate of up to 1.0%, for a term of twenty (20) years. The HOME loan will be secured by a second lien deed of trust on the subject property. During construction, the HOME loan will also be secured by the same guarantees as the construction loan and the payment and performance bonds. During the permanent phase of the project, the HOME loan will be secured by a Reserve Replacement Guaranty and a Payment and Performance Guaranty executed by the same guarantors.

Ms. Shaffer noted that due to the complex nature of LIHTC projects, staff is requesting flexibility to make minor changes to the structure of the loans that will not impact the Fund's risk.

Member Nistendirk moved approval of a construction loan in the amount of up to \$3,000,000, substantially in the form presented with flexibility to allow staff to make minor changes that do not impact the Fund's risk. His motion was seconded by Representative Travis, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

Representative Travis moved approval of a permanent loan in the amount of up to \$445,000, substantially in the form presented with flexibility to allow staff to make minor changes that do not impact the Fund's risk. His motion was seconded by Representative Bailey and, upon

the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

Representative Bailey moved approval of a HOME loan in the amount of up to \$670,000, substantially in the form presented with flexibility to allow staff to make minor changes that do not impact the Fund's risk. His motion was seconded by Representative Travis, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

MULTIFAMILY LOAN AND NATIONAL HOUSING
TRUST FUND LOAN TO ASHLEY MANOR
APARTMENTS

Ms. Shaffer presented two loan requests from Buckeye Community Eighty Four, L.P. to finance the rehabilitation of a forty (40) unit Low-Income Housing Tax Credit Program ("LIHTCP") project located in Sophia, known as Ashley Manor Apartments that will target both families and seniors for occupancy.

Ms. Shaffer informed the Board that one of the strengths of this project is the developer, Buckeye Community Hope Foundation, which has a great deal of experience in affordable real estate development and staff has a high level of confidence in their ability to complete the project. Ms. Shaffer stated that additional strengths of the project include evidence of a strong demand for the units and the presence of rental assistance for twenty-nine (29) of the units through USDA Rural Development's 515 Program.

Ms. Shaffer stated that the first request is for a construction loan in the amount of up to \$4,450,000 with an interest rate of 4.75% for a term of twenty-four (24) months. The loan will be secured by a first lien deed of trust on the land and improvements known as Ashley Manor Apartments. The Fund will also be secured by the guarantees of Sophia Housing Partners, Inc. and Buckeye Community Hope Foundation and by Payment and Performance Bonds equal to 100% of the construction contract.

Ms. Shaffer stated that the second request is for a Housing Trust Fund loan in the amount of up to \$573,600, with an interest rate of up to 1.0%. The Loan will have a twenty (20) year balloon maturity with an affordability period of thirty (30) years. The Housing Trust Fund loan will be secured by a second lien deed of trust on the subject property shared with USDA. During construction, the HTF loan will also be secured by the Payment and Performance bonds and the same guarantees as the construction loan. During the permanent phase of the project, the HTF loan will be secured by a Replacement Reserve Guaranty and a Performance and Repayment Guaranty executed by the same guarantors and the project's operating and replacement reserve accounts.

Ms. Shaffer noted that due to the complex nature of LIHTC projects, staff is requesting flexibility to make minor changes to the structure of the loans that will not impact the Fund's risk.

Member Nistendirk moved approval of a construction loan in the amount of up to \$4,450,000, substantially in the form presented with flexibility to allow staff to make minor changes that do not impact the Fund's risk. His motion was seconded by Representative Bailey, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

Member Nistenkdirk moved approval of a permanent loan in the amount of up to \$573,000, substantially in the form presented with flexibility to allow staff to make minor changes that do not impact the Fund's risk. His motion was seconded by Representative Travis, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

MULTIFAMILY LOAN AND HOME LOAN TO HOMETOWN APARTMENTS

Ms. Shaffer presented two loan requests from Buckeye Community Seventy Two, L.P. to finance the rehabilitation of an eighteen (18) unit Low-Income Housing Tax Credit Program ("LIHTCP") project located in Red House, known as Hometown Apartments that will target families for occupancy.

Ms. Shaffer informed the Board that one of the strengths of this project is the developer, Buckeye Community Hope Foundation, which has a great deal of experience in affordable real estate development and gives staff a high level of confidence in their ability to construct the project. Ms. Shaffer stated that additional strengths of the project include evidence of a strong demand for the units and the presence of rental assistance for seventeen (17) of the units through USDA Rural Development's 515 Program.

Ms. Shaffer stated that the first request is for a construction loan in the amount of up to \$2,270,000 with an interest rate of 4.75% for a term of twenty-four (24) months. The loan will be secured by a first lien deed of trust on the land and improvements known as Hometown Apartments, the corporate guarantees of Red House Housing Partners, Inc. and Buckeye Community Hope Foundation, as well as by Payment and Performance Bonds equal to 100% of the construction contract.

Ms. Shaffer stated that the second request is for a HOME loan in the amount of up to \$265,500, with an interest rate of up to 1.0%. The Loan will have a twenty (20) year balloon maturity. The HOME loan will be secured by a second lien deed of trust on the property known as Hometown Apartments shared with USDA. During construction, the HOME loan will also be secured by the same guarantees as the construction loan and the Payment and Performance

bonds. During the permanent phase of the project, the HOME loan will be secured by a Reserve Replacement Guaranty executed by the same guarantees and a Payment and Performance Guaranty and the project's operating and replacement reserve accounts.

Ms. Shaffer noted that due to the complex nature of LIHTC projects, staff is requesting flexibility to make minor changes to the structure of the loans that will not impact the Fund's risk.

Representative Bailey moved approval of a construction loan in the amount of up to \$2,270,000, substantially in the form presented with flexibility to allow staff to make minor changes that do not impact the Fund's risk. His motion was seconded by Member Nistendirk, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

Member Nistendirk moved approval of a HOME loan in the amount of up to \$265,500, substantially in the form presented with flexibility to allow staff to make minor changes that do not impact the Fund's risk. His motion was seconded by Representative Bailey, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

MULTIFAMILY LOAN, NATIONAL HOUSING TRUST
FUND, AND TCAP LOAN TO SEWELL LANDING
APARTMENTS

Ms. Shaffer presented three loan requests from Buckeye Community Eighty Three, L.P. to finance the rehabilitation of a fifty-two (52) unit Low-Income Housing Tax Credit Program ("LIHTCP") project located in Rainelle, known as Sewell Landing Apartments that will target both families and seniors for occupancy.

Ms. Shaffer informed the Board that one of the strengths of this project is the developer, Buckeye Community Hope Foundation, which has a great deal of experience in affordable real estate development and staff has a high level of confidence in their ability to construct the project. Ms. Shaffer stated that additional strengths of the project include evidence of a strong demand for the units and the presence of rental assistance for forty eight (48) of the units through USDA Rural Development's 515 Program.

Ms. Shaffer stated that the first request is for a construction loan in the amount of up to \$5,750,000 with an interest rate of 4.75% for a term of twenty-four (24) months. The loan will be secured by a first lien deed of trust on the land and improvements known as Sewell Landing Apartments, Corporate guarantees of Rainelle Housing Partners, Inc. and Buckeye Community Hope Foundation, and the Payment and Performance Bonds equal to 100% of the construction contract.

Ms. Shaffer stated that the second request is for a Housing Trust Fund loan in the amount of up to \$610,000, with an interest rate of up to 1.0%. The Loan will have a twenty (20) year balloon maturity with an affordability period of 30 years. The HTF loan will be secured by a shared second lien deed of trust with the TCAP loan and USDA. During construction, the HTF loan will also be secured by the same guarantees as the construction loan and the Payment and Performance bonds. During the permanent phase of the project, the HTF loan will be secured by a Reserve Replacement Guaranty executed by the same guarantors and a Payment and Performance Guaranty and the project's operating and replacement reserve accounts.

Ms. Shaffer stated that the third request is for a TCAP loan in the amount of up to \$303,000, with an interest rate of 0.0%, for a term of twenty (20) years. The TCAP loan will be secured by a shared second lien deed of trust with the HTF loan and USDA. During construction, the TCAP loan will also be secured by the same guarantors as the HTF loan and the Payment and Performance bonds. During the permanent phase of the project, the TCAP loan will be secured by a Reserve Replacement Guaranty executed by the same guarantees and the project's operating and replacement reserve accounts.

Ms. Shaffer noted that due to the complex nature of LIHTC projects, staff is requesting flexibility to make minor changes to the structure of the loans that will not impact the Fund's risk.

Member Nistendirk moved approval of a construction loan in the amount of up to \$5,750,000, substantially in the form presented with flexibility to allow staff to make minor changes that do not impact the Fund's risk. His motion was seconded by Representative Travis, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

Representative Bailey moved approval of a Housing Trust Fund loan in the amount of up to \$610,000, substantially in the form presented with flexibility to allow staff to make minor changes that do not impact the Fund's risk. His motion was seconded by Representative Travis, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

Representative Travis moved approval of a TCAP loan in the amount of up to \$303,000, substantially in the form presented with flexibility to allow staff to make minor changes that do not impact the Fund's risk. His motion was seconded by Member Nistendirk, and, upon the affirmative vote of the seven (7) members present, the Vice Chair declared the motion adopted.

ADJOURNMENT

There being no further business, Representative Travis moved to adjourn the meeting. His motion was seconded by Representative Bailey. Meeting adjourned at 1:45 p.m.



Martha Lilly, Assistant Secretary

WEST VIRGINIA HOUSING DEVELOPMENT FUND

BOND INDUCEMENT RESOLUTIONRESOLUTION PRELIMINARILY AUTHORIZING THE
ISSUANCE OF NOT TO EXCEED \$9,500,000 AGGREGATE
PRINCIPAL AMOUNT OF THE ISSUER'S REVENUE BONDS

WHEREAS, the West Virginia Housing Development Fund, a public body corporate and governmental instrumentality of the State of West Virginia (the "Issuer"), under Chapter 31, Article 18 of the Code of West Virginia, 1931, as amended (the "Act"), has plenary power and authority to finance and refinance residential housing projects by making loans to others to provide funds for the refinancing, acquisition, construction and improvement of such residential housing projects and to issue revenue bonds for the purpose of defraying the costs of refinancing, acquiring, constructing and improving such projects;

WHEREAS, Potomac Heights, LLC, a West Virginia limited liability company (the "Borrower"), has requested that the Issuer assist the Borrower in financing the acquisition and improvement of a 141-unit affordable residential rental project, where the majority of the units are available for seniors and the remaining units are available for individuals and families, known as Potomac Heights, located at 500 Carskadon Lane, Keyser, West Virginia (the "Property"), and the payment of certain costs and expenses related thereto (collectively, the "Project") (A detailed description of the Property and Project is attached as Exhibit A.);

WHEREAS, the Borrower has requested that the Issuer issue its revenue bonds in an aggregate principal amount not to exceed \$9,500,000 (the "Bonds") pursuant to an indenture, financing agreement or other like document (the "Indenture"), between the Issuer and a trustee, fiscal agent or other like entity named therein (the "Trustee"), such Bonds to be secured under such Indenture, and the proceeds of such Bonds to be used by the Issuer for the purpose of providing funds to finance costs of the Project;

WHEREAS, the Borrower has requested that the Issuer lend the proceeds of the Bonds to the Borrower pursuant to a financing agreement, loan agreement or other like document (the "Financing Agreement"), between the Issuer and the Borrower;

WHEREAS, the financing of the Project by the Issuer will promote and assist the Borrower in providing affordable housing to the citizens of West Virginia, and the financing of the Project is a public purpose of the Issuer under the Act;

WHEREAS, it is intended that this Resolution shall constitute a "bond resolution or some other official action" in respect of the issuance of the Bonds for the Project and related reimbursement purposes under the income tax regulations promulgated by the United States Treasury Department (the "Regulations") under the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, the Bonds, together with the interest thereon, shall be secured by revenues of the Project, a mortgage loan on the Property and/or a form of credit enhancement, and under no circumstances will the Bonds be payable from funds of the Issuer; and

WHEREAS, it is now necessary to provide for the preparation of the Indenture, the Financing Agreement and other documents with respect to the issuance and sale of the Bonds;

NOW THEREFORE, BE IT RESOLVED BY THE WEST VIRGINIA HOUSING DEVELOPMENT FUND, AS FOLLOWS:

1. It is hereby found and determined, subject to a public hearing to be held prior to issuance of the Bonds, that proceeding with the financing of the Project for the Borrower is a public purpose of the Issuer and is in the public interest.

2. The Issuer hereby determines it intends to issue, pursuant to the Act, the Bonds, if so requested by the Borrower, in an aggregate principal amount to be agreed upon by the Issuer and the Borrower, not to exceed \$9,500,000, and to finance qualifying costs of the Project (which may include reimbursing the Borrower for the acquisition of and the making of certain improvements to the Property), such Bonds to be secured by and payable from revenues of the Project, a mortgage on the Property and/or a form of credit enhancement (such as cash collateral, a mortgage-backed security of a government-sponsored enterprise, such as Fannie Mae, or a credit facility), and which Bonds may be additionally secured by such instruments as the Borrower and the Issuer shall agree.

3. The Bonds shall bear such dates, mature at such time or times, bear interest at such rate or rates and contain such other terms and provisions as shall be determined by subsequent action of the Issuer and approved by the Borrower. The Bonds shall be limited obligations of the Issuer, and it is expressly provided that any and all Bonds and the interest

thereon, as may be so issued, shall in no way constitute or become an indebtedness of the Issuer or the State of West Virginia and shall never give rise to any pecuniary liability of the Issuer or the State of West Virginia. The Bonds shall be secured by and payable from revenues of the Project, a mortgage on the Property and/or a form of credit enhancement, and shall not be a general obligation or moral obligation of the Issuer or in any way secured by any assets of the Issuer other than pursuant to the Indenture and the Financing Agreement and the Issuer's rights thereunder.

4. The Project shall be owned by the Borrower and financed pursuant to the Financing Agreement, the terms of which are to be mutually agreed upon by the Borrower and the Issuer, and which shall provide that the Borrower will be obligated to repay the loan made to the Borrower by the Issuer under the Financing Agreement and to pay a loan financing fee payable to the Issuer, the charges of the Trustee and certain other expenses under the Indenture.

5. Such rulings, approvals, consents, certificates of compliance, opinions of counsel and other instruments and proceedings satisfactory to the Issuer and to the Borrower as to such matters with respect to the Bonds and the tax exemption of interest thereon for federal income tax purposes and the tax exemption thereof and income thereon for State of West Virginia and local tax purposes, the Indenture, the Financing Agreement, any credit enhancement documents and other necessary documents as shall be specified by the Issuer and the Borrower shall have been obtained from such governmental and nongovernmental agencies and entities as may have or assert competence or jurisdiction over or interest in matters pertinent thereto and to the Project and shall be in full force and effect at the time of the issuance of the Bonds.

6. This Resolution is an affirmative declaration of official intent of the Issuer toward the issuance of the Bonds as contemplated herein in accordance with the purposes of the laws of the State of West Virginia, the Code and the Regulations, and it is understood that the Borrower may rely upon this Resolution in commencing with the Project and providing temporary financing therefor. The Issuer reasonably expects, as of the date hereof, to timely reimburse the Borrower for certain costs of the Project paid or incurred by the Borrower prior to the issuance of the Bonds with the proceeds of the Bonds, the interest on which will be exempt from federal income tax. However, the Issuer's ability to actually issue the Bonds is subject to satisfying the conditions in Paragraphs numbered 4. and 5. herein.

7. The law firm of Hawkins Delafield & Wood LLP, New York, New York, is hereby appointed bond counsel in connection with the issuance and

sale of the Bonds, and said firm is hereby authorized and directed to act in such capacity in the preparation of the Indenture, the Financing Agreement and other documents necessary for the authorization, issuance and sale of said Bonds, subject to submission of all such documents to the designated attorney for the Issuer. The fees and charges of said firm shall be payable only from the proceeds of sale of the Bonds or otherwise by the Borrower.

8. Jackson Kelly PLLC ("General Counsel") is hereby appointed as general counsel to the Issuer in connection with the issuance and sale of the Bonds. The fees and charges of said General Counsel shall be payable only from the proceeds of sale of the Bonds or otherwise by the Borrower.

9. Piper Jaffray & Co. (the "Financial Advisor") is hereby appointed as financial advisor to the Issuer in connection with the issuance and sale of the Bonds. The fees and charges of said Financial Advisor shall be payable only from the proceeds of sale of the Bonds or otherwise by the Borrower.

10. The members of the board of directors of the Issuer, the officers and employees of the Issuer and the Issuer itself shall not have any expense, financial liability or financial obligation of any kind in connection with the Bonds except as shall be reimbursed by the Borrower.

11. The Borrower is responsible for (i) all rebate calculations and rebate obligations in respect of the Bonds under the Code and the Regulations, (ii) compliance with all other provisions of the Code and the Regulations applicable to the Bonds and the Project and (iii) compliance with all secondary market reporting obligations in respect of the Bonds, if any.

12. This Resolution shall become effective immediately.

Adopted this ____ day of _____, 2019.

Chairman, Board of Directors
West Virginia Housing Development Fund

Adopted this ____ day of _____, 2019.

Executive Director
West Virginia Housing Development Fund

WEST VIRGINIA HOUSING DEVELOPMENT FUND
PLAN OF FINANCE
APPROVED BY THE BOARD OF DIRECTORS, July 31, 2019

Single Family – Housing Finance Program Bonds

AUTHORIZED MAXIMUM ISSUANCE AMOUNT

This Plan of Finance authorizes the issuance of one or more series of bonds not to exceed a maximum aggregate principal amount of \$50,000,000. Such bonds are referred to herein as the 2019 Bonds.

FINANCING TEAM

The Housing Development Fund will retain Piper Jaffray & Co. for certain financial advisory services relating to this Plan of Finance. Expected services will include assistance in the preparation of bond and disclosure documents, preparation of rating agency information and cash flows, marketing advice on terms and conditions of the 2019 Bonds, verification of bids or assistance in negotiating pricing rates, assistance in obtaining underwriters as needed and other activities necessary to complete each transaction. The other members of the Financing Team include:

- Bond Counsel – Hawkins Delafield & Wood LLP, Howard Zucker, Daniel Fuss, Faust Bowerman and Jamison Sadlon
- General Counsel – Jackson Kelly PLLC, Samme Gee, Taunja Willis Miller and Kelley Goes
- Trustee – United Bank, Thomas Provenzano
- Underwriters – See Marketing Plan below.

OBJECTIVE

The objective of this Plan of Finance is to sell one or more series of the 2019 Bonds to provide up to \$50,000,000 in fixed rate mortgages. The 2019 Bonds may be issued as taxable and/or tax-exempt debt, depending on market factors and the potential benefit.

THE 2019 BONDS

Housing Finance Bond Resolution

The 2019 Bonds may be issued on parity with bond issues currently outstanding under the General Housing Finance Bond Resolution. (See Exhibit I for a complete summary of Housing Finance Bonds issued and currently outstanding). The General Housing Finance Bond Resolution is a general obligation of the Housing Development Fund and is rated "Aaa" by Moody's and "AAA" by Standard and Poor's.

Structure

The 2019 Bonds will be book-entry bonds featuring serial and/or term bonds with fixed interest rates. However, if meaningful interest savings can be obtained, capital appreciation, deep discount, tender option, super sinker, planned amortization class or premium bonds may be added to the final structure. The final size of an issue will be based on borrower need and market rates.

Tax-exempt bonds will require the use of Bond Volume Cap. The Housing Development Fund has sufficient Bond Volume Cap available for such tax-exempt bonds.

Taxable bonds do not require the use of Bond Volume Cap.

Redemption Provisions

If issued as tax-exempt bonds, the 2019 Bonds may be subject to optional redemption by the Housing Development Fund prior to maturity, as a whole or in part, at a premium not to exceed 3%, commencing on a date determined as of the date of sale.

The Housing Development Fund may make special redemptions of tax-exempt 2019 Bonds at any time under the following conditions:

- **Non-Origination** - Funds not used to purchase Program Loans during the origination period may be used to call the 2019 Bonds.
- **Excess Program Revenues and Excess Capital Reserve Funds** - Subject to requirements of the Internal Revenue Code, (1) excess program revenue, including Program Loan prepayments to the extent not recycled into new Program Loans and (2) Capital Reserve Funds in excess of the Capital Reserve Fund Requirement, may be used to call the 2019 Bonds or other bonds under the Housing Finance Resolution.

Such special redemptions of tax-exempt 2019 Bonds may be made at par or at such premium determined to be beneficial to the sale of any of the 2019 Bonds, in each case plus accrued interest to the redemption date.

Taxable 2019 Bonds may be issued with or without redemption provisions or may be issued with “make-whole” provisions that strongly discourage economic refunding but allow for redemptions under extenuating circumstances.

Redemption provisions may be modified if such modification proves to be beneficial to the sale of any of the 2019 Bonds.

Capital Reserve Fund

The General Housing Finance Bond Resolution requires the aggregate Capital Reserve Fund for all bonds outstanding to be funded in an amount equal to the highest annual

aggregate debt service payment, which shall be the Capital Reserve Fund Requirement. If additional funds are needed to satisfy the Capital Reserve Fund Requirement after the issuance of any of the 2019 Bonds, such funds may be provided from proceeds of the 2019 Bonds, other funds held pursuant to the General Housing Finance Bond Resolution or a contribution from the Bond Insurance Fund.

To maintain the bond ratings, the rating agencies may require a set-aside of assets currently held under the Housing Finance Resolution or other sources to secure against potential loan losses.

Investments

All investments of bond proceeds will comply with the Investment Policy approved by the Board of Directors, the bond documents and IRS regulations.

Bond Insurance Fund

The Bond Insurance Fund will secure the 2019 Bonds. All Program Loans not federally insured or guaranteed require the payment of a Bond Insurance Fund Premium of 1% at loan closing and .50% annually. To reduce interest costs for the borrowers, such premiums will be paid to the Bond Insurance Fund from available funds. It is currently expected that the Bond Insurance Fund will have the funds available to cover the Bond Insurance Fund Premiums due for the Program Loans originated from the 2019 Bonds. This process reduces the loan origination costs to the borrowers.

MARKETING PLAN

The Finance Team will explore the ability to issue the bonds through a competitive sale or a private placement with an institutional investor. Electronic bidding may be used under the competitive sale option. However, if tax-exempt bonds are issued, it will likely be necessary to market each series of 2019 Bonds through a negotiated sale. If market conditions necessitate the use of a negotiated sale, the Housing Development Fund will use Raymond James as underwriter. In no instance will any 2019 Bonds be sold after December 31, 2019 without prior Board approval.

Underwriting Spread

The gross spread on each issue of 2019 Bonds sold through competitive or negotiated sale will not be permitted to exceed \$8.50 per \$1,000 bond. The amount of the actual gross spread will be established based on market conditions when each series of 2019 Bonds is marketed.

CONTRIBUTION

The costs of issuance of the 2019 Bonds may be paid from the Housing Finance Program, the General Fund or from proceeds of the 2019 Bonds. (See Exhibit II for a summary of the expected costs of issuance).

PROGRAM LOANS

All Mortgage Loans made with the proceeds of the 2019 Bonds will be serviced by the Housing Development Fund and be subject to the following:

- Maximum Amount of Loans - \$50 million
- Maximum Mortgage Term – 30 years

New mortgages financed with the 2019 Bonds will likely be originated by lending institutions throughout the State on behalf of the Housing Development Fund. Lenders will be paid a loan origination fee to originate each loan as well as a servicing release fee for the purchase of loan servicing rights. The Housing Development Fund will adjust the loan origination fee and the servicing release fee paid to originators based on current market practices. Origination fees per loan will not exceed the greater of 2% of the loan principal balance or \$1,500. Servicing release fees per loan will generally not exceed 1%.

Mortgages with loan-to-value ratios at origination in excess of 80% will be FHA insured, VA or RHS guaranteed or covered by private mortgage insurance.

Eligible Borrowers will continue to be offered down payment and closing cost assistance loans to cover loan closing costs and downpayment requirements. The funds for these loans will be provided from the Down Payment and Closing Cost Assistance Program previously authorized and funded by the Board or other available funds.

WAREHOUSING LOANS

Typically, when bonds are issued, the initial proceeds are invested in short-term investments until the funds are used for the purchase of mortgage loans. Because short-term investment rates are significantly lower than long-term bond rates, this will create negative arbitrage.

To reduce this negative arbitrage or to manage cash flow, the Housing Development Fund may use available funds to purchase and warehouse loans in anticipation of the sale of 2019 Bonds. While the mortgage loans are held in our general accounts, they will provide a higher interest rate than investments available in the short-term market. The risk associated with this process is that interest rates may rise before the 2019 Bonds can be issued, which reduces the spread between the long-term bond rate and the rate on the mortgage loans.

PROGRAM LOAN RATE ADJUSTMENT

The Housing Development Fund may increase or decrease the Program Loan rate according to market conditions during the origination period, however, the ability to adjust the rate will be significantly limited in order to comply with our permitted mortgage yield spread. The Housing Development Fund will monitor the effect of any rate changes to ensure that we do not exceed our permitted yield spread.