MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS
WEST VIRGINIA HOUSING DEVELOPMENT FUND
January 27, 2021

The regular meeting of the Board of Directors of the West Virginia Housing Development Fund (the "Fund") was held on Wednesday, January 27, 2021 via telephone. The telephone number was made available to the public in the Notice of Meeting of the Board of Directors posted on the Secretary of State website, the Fund's website, and at the gate of the West Virginia Housing Development Fund. The Chair called the meeting to order at 9:05 a.m. with the following members present throughout, except where noted.

Ann Urling, Chair
Norm Bailey, Representative for the Honorable Kent Leonhardt, Commissioner of Agriculture
John Gianola, Member
Sam Kapourales, Member
Patrick Martin, Member
The Honorable Riley Moore, State Treasurer
Bob Nistendirk, Member
Kris Raynes, Member
Steven Travis, Representative for the Honorable Patrick Morrisey, Attorney General

Members Absent:

David Gardner, Member
Wendy McCuskey, Member

Staff present:

Erica Boggess, Executive Director
Tammy Bonham, Division Manager – Loan Servicing
Cathy Colby, Senior Manager – HOME and HTF Programs
Julie Davis, Deputy Director – Production
George Gannon, Communications Administrator
Trisha Hess, Senior Manager – Accounting
Darlene King, Multifamily Programs Administrator
Chad Leport, Division Manager – Finance and Federal Financial Compliance
Martha Lilly, Legal Assistant
Alicia Massie, Legal Counsel - Compliance
Kelley Ridling, Senior Manager – Internal Audit
Lori Ryan, Executive Assistant
Kristin Shaffer, Senior Legal Counsel
Nathan Testman, Senior Division Manager – Multifamily Lending
Crystal Toney, Deputy Director – Administration
Dorothy White, Federal Compliance Officer
Michelle Wilshere, Senior Manager – Low Income Housing Tax Credit Program

Others Present:

Samme Gee - Jackson Kelly PLLC
Kelley Goes – Jackson Kelly PLLC
Lucas Manfield – Reporter Mountain State Spotlight
Penny Shiley -Member of general public
Jenny Zimmerman – Member of general public

APPROVAL OF THE MINUTES OF THE DECEMBER 16, 2020, MEETING

Representative Norm Bailey moved the approval of the minutes of the December 16, 2020 meeting. His motion was seconded by Member Kris Raynes and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

The Honorable Riley Moore joined the meeting.

FINANCIAL STATEMENTS AND DELINQUENCY REPORTS FOR THE PERIOD ENDED DECEMBER 31, 2020

Crystal Toney presented the financial statements and delinquency reports for the period ended December 31, 2020. The financials and delinquency reports were accepted as presented.

CONSIDERATION OF CHANGES TO THE DEBT MANAGEMENT POLICY

Chad Leport presented proposed changes to the Fund's Debt Management Policy.

Mr. Leport informed the Board that revisions to the "Conduit Bond Financing Criteria" were made in an effort to facilitate conduit financing business, especially in connection with the Low-Income Housing Tax Credit Program. Mr. Leport explained that staff felt it is important to make the changes and to increase the fees charged because conduit issuances are lengthy and often complicated.

Member Sam Kapourales joined the meeting.

Member Patrick Martin moved to approve the revisions to the Fund's Debt Management Policy as presented. His motion was seconded by Member Bob Nistendirk, and, upon the affirmative vote of the nine (9) members present, the Chairman declared the motion adopted.

A copy of the Debt Management Policy is attached as Exhibit A.

CONSIDERATION OF CHANGES TO THE MULTIFAMILY LENDING POLICY

Nathan Testman presented proposed changes to the Multifamily Lending Policy to the Board.

Mr. Testman informed the Board that the Fund's Multifamily Lending Policy covers several loan programs related to the acquisition, development, construction, deconstruction and/or rehabilitation of affordable housing projects. The Board approved the most recent version of the Policy in August 2018.

Mr. Testman explained the changes set forth in the memo and stated that the changes were prompted by an increase in business in the Fund's Multifamily department.

Member Kris Raynes left the meeting.

Representative Bailey moved the approval of the changes to the Multifamily Lending Policy as presented. His motion was seconded by Member Nistendirk, and, upon the affirmative vote of the eight (8) members present, the Chair declared the motion adopted.

A copy of the Multifamily Lending Policy is attached as Exhibit B.

CONSIDERATION OF REVISIONS TO THE AFFORDABLE HOUSING FUND ANNUAL LOAN TERM SHEET

Mr. Testman informed the Board that in June 2018, the Fund took over the administration of the Affordable Housing Fund (AHF). Since that time, the Fund has completed three successful application cycles resulting in the funding of 102 projects throughout the State totaling $3,203,134. Mr. Testman stated that staff meet periodically with key nonprofit organizations and stakeholders to solicit feedback on the AHF product offerings and the application process.

Mr. Testman presented the updated AHF Loan Term sheet and explained that staff was not recommending any changes to the AHF Program Guide. Mr. Testman stated that staff is recommending the Board's approval of an updated AHF Loan Term Sheet based on feedback from the non-profit organizations. Mr. Testman explained the proposed changes to the AHF Loan Term Sheet.

Member Kapourales moved the approval of the updated AHF Loan Term Sheet. His motion was seconded by Member Nistendirk, and, upon the affirmative vote of the eight (8) members present, the Chair declared the motion adopted.

A copy of the Affordable Housing Fund Loan Term Sheet is attached as Exhibit C.

ELECTION OF OFFICERS

Erica Boggess informed the Board that under Article VII of the West Virginia Housing Development Fund's Bylaws, the Board may elect a Treasurer to fill a vacancy at any regular meeting of the Board. Following the election of Riley Moore as the Treasurer for the State of West Virginia, the Board's office of treasurer is vacant.

Member Martin moved to open the floor for nominations. His motion was seconded by Member Kapourales, and, upon the affirmative vote of the eight (8) members present, the Chair declared the motion adopted.

Member Martin moved to elect Riley Moore as the Board Treasurer. His motion was seconded by Member Nistendirk, and, upon the affirmative vote of the eight (8) members present, the Chair declared the motion adopted.

INFORMATION ON ADMINISTRATION OF MOUNTAINEER RENTAL ASSISTANCE PROGRAM

Ms. Boggess informed the Board that the Consolidated Appropriations Act (the Appropriations Act) signed into law on December 27, 2020 includes $25 billion for rental assistance to help Americans that have fallen behind on their rent and utilities and are at risk for eviction. West Virginia will receive the small State minimum of $200 million. The Fund has been designated by the Governor to administer these funds on behalf of the State.

Ms. Boggess explained that Fund staff have been monitoring the housing assistance portion of the Appropriations Act closely and are working with fellow housing finance agencies to develop the Mountaineer Rental Assistance Program guidelines in anticipation of implementing it as quickly as possible. More detailed guidance will be forthcoming from the US Treasury over the next couple of weeks.

EXECUTIVE SESSION TO DISCUSS LEGAL MATTERS PURSUANT TO W. VA. CODE §6-9A-4(b)(7)

The Board did not go into Executive Session.

ADJOURNMENT

There being no further business, Representative Bailey moved to adjourn the meeting. His motion was seconded by Member Nistendirk. Meeting adjourned at 9:57 a.m.

Martha Lilly

Martha Lilly, Assistant Secretary

EXHIBIT A

West Virginia Housing Development Fund

Debt Management Policy

Approved ~~February 27, 2019~~January 27, 2021

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WEST VIRGINIA HOUSING DEVELOPMENT FUND

DEBT MANAGEMENT POLICY

I. PREAMBLE

The West Virginia Housing Development Fund (the "Fund") is committed to meeting West Virginia's need for decent, safe, affordable housing.

In furtherance of its mission, this policy is adopted to preserve and strengthen the Fund's financial capacity by expanding and diversifying sources of capital and leveraging available capital**.**

II. WVHDF POLICY

The Fund's goal is to raise capital for its programs at the lowest overall cost while ensuring that associated risks are within reasonable and sustainable bounds. The Fund will take into consideration desired mortgage rates and the need to maintain asset and debt management flexibility while carefully managing risk.

To achieve this, the Fund will:

(1) Establish long-range financial objectives as set forth in Section III. These objectives may change in response to economic and other factors.

(2) Periodically establish a plan in the form of a Plan of Finance that sets forth specific financing objectives for a maximum of a one year period. This plan may be adjusted due to economic and other factors.

(3) Maintain a debt management policy that provides for optimum access to capital markets and broad distribution capabilities.

The Debt Management Policy will be reviewed by staff annually or as necessary based on current market conditions.

III. LONG RANGE FINANCIAL OBJECTIVES

The long-range financial objectives are as follows:

- Maximize the spread between loan rates and cost of capital, where possible, in order to maximize future capital available for the Fund's programs.
- Maintain program flexibility.
- Effectively manage risk so as to minimize the potential of calling upon the Fund's general obligation debt pledge or the moral obligation pledge.
- Maintain the Fund's Aaa/AAA general obligation credit ratings.
- Maintain the current level of credit ratings for each bond resolution.

IV. FINANCE TEAM

The Fund will maintain a team of finance professionals consisting of internal and external experts for the purpose of managing its borrowing activities. The team will include investment bankers (when appropriate), bond counsel, underwriter's counsel (when appropriate), general counsel, a financial advisor, and finance staff. Staff may recommend to the Board the addition of finance team members based on needs of specific financings.

V. PLANNING AND STRUCTURING BOND ISSUES

When capital is needed for program funding or for debt management purposes, the finance team will review the financing alternatives in accordance with this policy and determine whether bonds or some other form of debt should be issued. Any proposed financing will be reviewed to determine the best method of accessing the financial markets to achieve the goal of issuing debt at the lowest overall interest rates and costs with reasonable risks.

VI. ANNUAL CAPITAL NEEDS PLANNING

The finance team will annually review proposed capital needs and timing for the next calendar year. The timing of bond sales or other types of debt issuance will be based primarily upon housing program needs, but market and tax compliance factors will also be taken into consideration. Staff will communicate the results of the planning process to the Board through a Plan of Finance.

VII. PROCEDURES FOR EACH BOND ISSUE

The finance team will determine a financing approach best suited to the current set of circumstances and consistent with the Fund's desire to issue debt at the lowest overall interest rates and costs while managing risks and maintaining the maximum flexibility for asset and debt management. Staff will proceed pursuant to the currently approved Plan of Finance. Where variable rate debt or interest rate swaps are considered for inclusion in a financing, the finance team will be guided by the policies and procedures set forth in the Variable Rate Debt and Swap Management Plan, included herein.

Before each financing, the finance team will review the immediate capital and/or refunding needs, market conditions, proposed bond structure(s), merits of a negotiated, competitive or privately placed bond issue and expense guidelines. In the event of a negotiated bond issue, underwriter's compensation will be finalized prior to the commencement of the order period.

Before pricing a debt offering, the financial advisor will provide the Fund with summary information and its recommendations with regard to all pertinent aspects of the financing. For negotiated issues, the pricing will generally be handled by a conference call including Fund staff, bond counsel, general counsel, the financial advisor and the underwriters. The Executive Director and Deputy Director will have primary responsibility for making pricing determinations within the parameters of the Board approved Plan of Finance.

A formal post-sale analysis will be prepared by the financial advisor and reviewed with the Board within approximately 45 days of the issue. The post-sale analysis should include sufficient information to permit the Board to judge the performance of the investment bankers or the competitive bid process.

VIII. DEBT ISSUANCE REVIEW

The results of the Fund debt issuance and the performance of the investment bankers or the competitive bid process will be reviewed by the staff in connection with the annual capital needs planning and the development of the Plan of Finance. The Fund's financial advisor will prepare the report in cooperation with Fund staff.

IX. POLICY ON REQUEST FOR PROPOSALS

A request for proposal will be issued as needed for the Fund's financial advisor and investment bankers.

X. REPORTING

Quarterly, a debt report will be prepared and reviewed with the Board. The report will contain information relating to debt outstanding, debt issued or redeemed during the quarter, the amounts and percentages of variable rate debt and average variable debt rates, if any

XI. GOVERNOR'S APPROVAL

Prior to the sale of bonds by the Fund, the Fund's staff will request the Direction and Certification of the Governor, which provides the direction of the Governor to the Fund for the issuance of the bonds and certifies by the Governor that the Fund is an authorized issuer of bonds for the State of West Virginia, the bonds are refunding bonds under the Internal Revenue Service Code, if applicable, new money bonds are under the volume limitation applicable to the State of West Virginia and proper notice and public hearing was held according to the Code.

The review time period for the Governor's office may be as much as 21 days before execution by the Governor.

WEST VIRGINIA HOUSING DEVELOPMENT FUND

Variable Rate Debt and Interest Rate Swap Management Plan

Background. The West Virginia Housing Development Fund (the "Fund") may elect to issue variable-rate debt when issuing fixed-rate debt results in a cost of capital that would result in mortgage interest rates which could not be effectively lent to borrowers of low and moderate incomes or to developers of rental properties for low and moderate-income renters. The Fund generally lends at fixed rates, which creates the potential for a mismatch between its cost of capital and its revenues. In order to manage the mismatch, interest rate swaps may be utilized. An interest rate swap is a financial agreement in which two parties agree over a fixed period of time on a stated notional principal amount to exchange interest payments, one based on a variable interest rate and the other a fixed rate. Interest rate swaps will be structured to synthetically achieve a fixed-rate cost of capital that is less than can be achieved by issuing traditional fixed-rate debt. This Variable Rate Debt and Interest Rate Swap Management Plan (the "Plan") is part of the Fund's Board-approved Debt Management Policy.

Authorization. For purposes of authorization, all variable rate debt issuance and swap transactions shall go through the same process as bond financings including review by the Fund's finance team, which includes at a minimum bond counsel and appropriate external financial advisors. Additionally, formal approval by the Fund's Board is required prior to each issuance of variable rate debt. When and if alterations to the variable rate bond structure or mode or replacement swaps are needed, they will be approved by a resolution of the Board.

Goals for Variable Rate Bond and Swap Transactions. Variable rate bond and swap transactions will be used as part of a strategy to reduce the Fund's overall cost of funds. Variable rate bond issuance and swap transactions will not be used for speculative purposes. The Fund acknowledges that the use of variable rate bonds and/or swaps may introduce certain risks not present with standard fixed rate bond issuance. Major potential risk factors are summarized below.

Relationship to Assets. Variable rate bond and/or swap transactions will be entered into based on analysis that staff determines is adequate to indicate an expected positive impact on the Fund's ability to manage its underlying assets and liabilities. The term and structure of any variable rate bond issuance or swap agreement should bear a logical relationship both to a specific pool of assets and the underlying liabilities financing those assets as well as to the overall financial profile of the Fund.

Risk Analysis. Before making a final decision to proceed with variable rate bonds and/or a swap transaction, the Fund shall analyze the risks, costs, and benefits associated with variable rate bonds and interest rate swaps to ensure that a proper and well-informed decision is being made. Specific risks that should be analyzed and understood are:

a. **Interest Rate Risk.** Interest rate risk refers to the extent to which the Fund, a specific resolution or a specific transaction is exposed to adverse consequences resulting from the movement of short or long term interest rates up or down. Some amount of interest rate risk is inherent in almost every transaction entered into by the Fund. The Fund's staff and finance team will review the interest rate risk, if any, associated with each contemplated variable rate bond issuance or swap transaction to ensure that it is within reasonable and sustainable bounds.

b. **Amortization.** Amortization risk represents the cost to the Fund of paying interest on debt or making swap payments due to a mismatch between the amounts outstanding of variable rate liabilities and the notional amount of an associated swap. Swap transactions should be structured to match the notional amount of the swap to the expected amortization of the bonds. The possibility of early bond redemptions will be considered.

c. **Basis.** Basis risk represents the potential difference between the interest rate paid by the Fund on its variable rate liabilities and the rate received from an associated swap contract. The finance team will review the historical differentials between the variable rate bonds and the swap payment index and the significant economic conditions that affect either position.

d. **Tax.** Tax risk represents a risk that may arise due to a change in the tax code which creates or exacerbates a difference between the interest rate paid by the Fund on its variable rate liabilities and the rate received from an associated swap contract. The finance team will review the likelihood of material tax changes over the term of the swap.

e. **Counterparty.** Counterparty risk is the risk that a swap transaction provider will not fulfill its obligations as specified in the swap contract. The finance team will review counterparty ratings and collateralization as well as the Fund's exposure to a particular counterparty. Potential swap counterparties must have a demonstrated record of swap performance.

f. **Termination.** Termination risk represents the risk that a swap contract could be terminated by the counterparty due to various events including downgrade, covenant defaults, payment defaults or other default events specified by the contract or resolution. The finance team will review the termination events included in the swap contract.

g. **Rollover.** Rollover risk is the risk that a swap contract is not coterminous with associated variable rate liabilities creating the possibility that a replacement contract will be either unavailable or at terms disadvantageous to the Fund. The finance team will review the Fund's ability to meet debt service on the variable rate bonds or accelerate redemption of the bonds if the terms of a rollover swap are not advantageous.

h. **Liquidity.** Liquidity risk is the risk that the back-up liquidity facilities required by certain types of variable rate debt will not be available or financially viable in the future resulting in the need to call the debt or refund it into fixed rate debt thus creating an un-hedged swap position in the case that the variable rate debt affected was associated with a swap. Liquidity risk exists with the form of variable rate debt known as Variable Rate Demand Obligations (VRDOs). VRDOs are remarketed regularly and the risk exists that there may be an insufficient market to purchase all or some of the bonds on any given remarketing date. To mitigate this risk, a liquidity provider is engaged to purchase unremarketed bonds at a higher rate than could be achieved under a remarketing and with the expectation that the bonds will be repaid on an accelerated timetable. Additional risk exists in that the term of the VRDOs is generally longer than the term of any related liquidity facility agreement, which requires that the issuer periodically engage replacement liquidity providers during the term of the debt. Potential exists for there being available no entity willing to provide the service at an acceptable cost. The finance team will review the Fund's ability to meet debt service on the variable rate bonds or accelerate redemption of the bonds.

i. **Rating Agency Criteria Risk.** This risk exists because the credit rating agencies may periodically change their criteria for maintaining credit ratings over the term of a variable rate debt issue, which may impact the cost of the variable rate debt or impose additional duties or restrictions on the Fund to maintain ratings. Fund staff and the finance team will continue close communication with the rating agencies to review potential rating issues.

Risk Mitigation. In addition to utilizing variable rate debt and interest rate swaps to mitigate the interest rate risk associated with issuing variable-rate debt, the Fund will seek to employ other risk mitigation techniques, either from the outset of a variable rate bond issue or at any stress point during the life of the issue, and will seek to incorporate relevant optionality in any agreements entered into in connection with the debt.

Examples of such techniques include but are not limited to: the option to modify the interest rate mode among variable rate alternatives or from variable to fixed; options to terminate the swap at par and at market under certain scenarios acceptable to the Fund; selection of the type of variable rate debt issued and its ability to be called at par; maintaining appropriate levels of liquidity to exercise available options; appropriate managerial oversight of the performance of the variable-rate bond issues and their related swaps; diversification among counterparties and liquidity providers.

Credit Quality. Any swap transaction entered into by the Fund shall be with a swap provider whose long term debt obligations, or whose obligations under a swap are fully covered by a swap facility whose long term debt obligations are sufficient to maintain any existing rating of the Fund's long term debt and/or secured by a pledge of investment obligations with the ratings and in amounts sufficient to achieve the ratings sufficient to maintain the Fund's long term debt ratings.

Procurement Procedures. Any services related to an issuance of variable rate bonds and/or an associated swap transaction including counterparty and banking services may be procured through a request for proposal process.

Appropriate Review. Variable rate bond and swap transactions will be submitted to the rating agencies for their review along with all appropriate supporting documents prior to the Fund entering into any agreements. There will be procedures established for the ongoing review and management of variable rate bond and swap transactions including regular reporting to the Board. In addition to this general Plan, rating agencies will be provided with a summary of each variable rate bond and swap transaction in accord with their respective policies.

Variable Rate Debt Issuance Parameters

- Cashflow projections will be reviewed no less than annually to determine the Fund's ability to meet future debt service on all bonds, including variable rate debt, in accordance with rating agency stress scenarios.

- The maximum permitted rate on variable rate debt, if unhedged, and associated liquidity facilities will be established pursuant to the annual Plan of Finance in accordance with the current rates customary to the variable rate bond market.

- The Fund will limit the amount of variable rate bonds to no more than 33% of any given bond issue.

- All variable rate debt issues will be callable at any time at par allowing the Fund to redeem or refund the debt as needed.

- The Fund will limit the total amount of variable rate debt outstanding to no more than $50 million.

- Unhedged variable rate debt will be in proportion to the average short-term investment balance to provide for a natural hedge against interest rate fluctuations. The Fund's maximum target limit for its unhedged variable rate debt balance will be approximately 35% of its average short-term investment balance.

The above parameters will be reviewed annually in connection with the capital planning needs or as necessary based on market conditions. Based upon the current market environment, rating agency input, cashflow projections and input from the financing team, needed adjustments to the above parameters will be recommended to the Board. In no event will variable rate debt be issued without Board approval on an issue by issue basis.

WEST VIRGINIA HOUSING DEVELOPMENT FUND

Conduit Bond Financing Criteria

From time to time, the Fund has been asked to act as a conduit bond issuer on behalf of multifamily developers to provide access to the tax-exempt bond market. The conduit bonds are not a general or moral obligation debt of the Fund nor does the Fund have any obligation to repay the debt in the event of a project default. The project is fully responsible for repayment of the debt as well as other ongoing bond responsibilities, i.e. secondary market disclosures and rebate calculations.

Conduit bond issues may require the use of bond volume cap. **Conduit bond issues requiring bond volume cap will only be considered if volume cap is available after giving consideration to the direct financing needs of the Fund.**

Each proposed conduit financing is subject to approval by the Board of Directors. Applicants should not assume that these criteria or a project's ability to meet the criteria in any way guarantees the approval of the proposed conduit financing.

The following criteria will be used to evaluate the soundness of possible conduit issues.

- Projects must substantiate a need for conduit financing.
- Developer's fee should be reasonable and consistent with the Low Income Housing Tax Credit Program structure for fees per Exhibit A.
- The Housing Development Fund ~~must~~ reserves the right to pre-approve the bond financing team.
- Management companies/project owners must have strong proven track record of successful project management.
- To be an eligible applicant, principals involved in the ownership entity must meet the requirements of the Housing Development Fund's Multifamily and Commercial Lending Policy.
- Applicants will apply using the Application for the Tax-Exempt Bond Program (Exhibit B) and will submit a nonrefundable application fee of ~~$1,000~~$1,500 as well as an Issuance Security Deposit of ~~10~~12.5 basis points of the proposed issuance amount. The Issuance Security Deposit will be applied toward the Issuance Fee (below) if the proposed conduit bonds are issued within 120 days of the date of bond allocation. Otherwise, the

allocation may be rescinded and the Issuance Security Deposit will be retained by the Fund.

- An Issuance Fee of ~~20~~25 basis points, or a ~~$10,000~~$17,500 minimum, is due at closing. The Issuance Security Deposit will be applied to this amount.

- The Fund will be reimbursed for all actual, direct conduit issuance costs including legal fees and other related costs regardless of whether or not the bonds are issued. Applicants will be required to deposit into an escrow account an estimated amount for cost of issuance fees after approval of a bond inducement resolution by the Fund's Board.

- The Fund may charge a refunding/refinancing fee of $2,500 plus legal fees and other expenses if the bonds are refunded prior to maturity.

Depending on the specifics of any given conduit transaction, the Fund reserves the right to charge special fees in addition to the above including annual administrative charges.

EXHIBIT A

DEVELOPER'S FEES FOR PROPERTIES THAT HAVE NOT BEEN OCCUPIED AS RESIDENTIAL RENTAL HOUSING AT ANY TIME DURING THE YEAR PRECEDING THE DATE OF THE OPTION, PURCHASE CONTRACT, OR DEED FOR THE SUBJECT PROPERTY, WHICH IS FURNISHED WITH THE INITIAL RESERVATION REQUEST WITH RESPECT TO SITE CONTROL

Identity of Interest Does Not Exist	**Identity of Interest Does Exist**
The Developer's Fee included in Property Costs and Adjusted Basis must be less than or equal to: 18% of Adjusted Basis*	*The Developer's Fee included in Property Costs and Adjusted Basis must be less than or equal to the lesser of:* 18% of Adjusted Basis*; and (22% of Adjusted Basis*) minus Builder's Profit

DEVELOPER'S FEES FOR PROPERTIES THAT HAVE BEEN OCCUPIED AS RESIDENTIAL RENTAL HOUSING AT ANY TIME DURING THE YEAR PRECEDING THE DATE OF THE OPTION, PURCHASE CONTRACT, OR DEED FOR THE SUBJECT PROPERTY, WHICH IS FURNISHED WITH THE INITIAL RESERVATION REQUEST WITH RESPECT TO SITE CONTROL

Identity of Interest Does Not Exist	**Identity of Interest Does Exist**
Acquisition	**Acquisition**
The Developer's Fee included in Property Costs and Adjusted Basis must be less than or equal to: 10% of Acquisition Adjusted Basis*	*The Developer's Fee included in Property Costs and Adjusted Basis must be less than or equal to:* 10% of Acquisition Adjusted Basis*
Substantial Rehabilitation	**Substantial Rehabilitation**
The Developer's Fee included in Property Costs and Adjusted Basis must be less than or equal to: 15% of Substantial Rehabilitation Adjusted Basis*	*The Developer's Fee included in Property Costs and Adjusted Basis must be less than or equal to the lesser of:* 15% of Substantial Rehabilitation Adjusted Basis*; and (18% of Substantial Rehabilitation Adjusted Basis*) minus Builder's Profit)

* Adjusted Basis, which by definition excludes land and any other costs which are not capitalized and depreciated, and which, for the purposes of the Developer's Fee formulas provided above also excludes property costs in excess of the Fund property cost limits, and the Developer's Fee itself.

The maximum Developer's Fee is further limited to the amount of Developer's Fee that is actually paid, or otherwise earned or recognized as income, from one unrelated individual, entity, or both to another individual, entity, or both as compensation for the work, costs and risks associated with the development of a property.

EXHIBIT B

WEST VIRGINIA HOUSING DEVELOPMENT FUND
TAX-EXEMPT BOND PROGRAM
APPLICATION FORM

Property Name: ______________________________

Property Location: ______________________________

Street Address | City | County

Property Description: ______________________________

Property Developer: ______________________________

Entity Name | Contact Name | Phone Number

Email Address: ______________________________

Proposed Financing Structure and Other Funding Sources:
(Please provide source and estimated funding amounts)

______________________________ __________ __________
______________________________ __________ __________
______________________________ __________ __________
______________________________ __________ __________

Estimated Bond Issuance Amount: __________

Estimated Requested Closing Date: __________

Bond Allocation Letter Requested By: __________

The Fund will be reimbursed for all actual, direct conduit issuance costs including legal fees and other related costs regardless of whether or not the bonds are issued.

EXHIBIT B

West Virginia Housing Development Fund
Multifamily ~~and Commercial~~ Lending Policy

Multifamily ~~and Commercial~~ Loan Programs

The West Virginia Housing Development Fund's (WVHDF) mission is to provide financing that encourages the development of safe, decent affordable housing as permitted by the WVHDF's Act. This includes Multifamily ~~and Commercial~~ loans related to the acquisition, development, construction, deconstruction and/or rehabilitation of affordable housing projects. The following loan programs are designed to provide financing for such projects:

~~Multifamily Loan Programs – Programs involved in the direct financing of the acquisition, development, construction and/or rehabilitation of multifamily housing:~~

- HOME Program – encourages the development and financing of housing for persons at or below 80% of the State's median income. This program is restricted by federal regulations.
- Housing Trust Fund (HTF) – encourages the development and financing of housing for persons considered very low income (50% of area median income) and extremely low income (30% of area median income). This program is restricted by federal regulations.
- Multifamily Loan Program (MLP) – provides construction and/or permanent financing for new or rehab multifamily rental projects, which may receive part of their financing from equity raised through the syndication of Low-Income Housing Tax Credits and other permanent lenders. This program is restricted by the WVHDF Act. ~~and subject to Board approval.~~ ~~Many of these loans are guaranteed under the USDA Section 538 Guaranteed Rural Rental Housing Program.~~

~~Commercial Loan Programs – Programs designed to finance the acquisition, deconstruction or development of land for the future use of affordable housing:~~

- Land Development Program - provides below-market interest rate loans to qualified builders and developers ~~for the purpose of acquiring and making improvements to land for residential housing and nonresidential construction~~ to finance development costs for residential and nonresidential projects and land development expenses. This program is restricted by the WVHDF Act.
- West Virginia Property Rescue Initiative - provides loans to assist cities and counties throughout the State in the acquisition and/or demolition of blighted properties which constitute health and safety hazards. This program is restricted by the WVHDF Act.
- ~~New Construction Financing Program – encourages WV licensed home builders and modular home dealerships to build moderately priced single-family homes for sale to the public.~~

In addition to the programs listed above, The WVHDF has also utilized the Low-Income Housing Tax Credit Program (LIHTC), Tax Credit Assistance Program, Tax Credit Exchange Program, the Special Assistance Loan Program, and the West Virginia Affordable Housing Fund (formerly the West Virginia Affordable Housing Trust Fund) in connection with the financing of affordable housing**.** These programs are not covered by this policy.

~~The purpose of the WVHDF Multifamily and Commercial Lending Policy (the Policy) is to promote the diversification of the WVHDF loan portfolio and protect assets. These policies apply regardless of the program under which a property was financed (other than the exclusions listed above) or the source of funds utilized.~~

In applying the Policy, a Borrower is defined as follows:

- any individual owner(s); and/or
- any principal (each individual and each entity) involved in any general partner of a limited partnership; and/or
- any principal (each individual and each entity) involved in any managing member of a limited liability company; and or
- any individual or principal that the WVHDF considers to be related to a Borrower based on a realistic evaluation of the facts and circumstances of a particular transaction.

Ineligible Borrowers

The WVHDF reserves the right to disqualify any applicant based on a variety of factors, including but not limited to, the following:

- HUD's Excluded Parties list
- Delinquencies of 30 days on two or more occasions during the previous 12 months, or delinquencies of 60 days on one or more occasion(s) during the previous 12 months on any WVHDF loan
- Uncured default on any WVHDF loan
- Foreclosure within the past 10 years on any WVHDF loan
- Unresolved material audit findings, particularly related to funds management or compliance with federal program requirements, during the most recent three-year period
- Credit score that is less than 620
- Adverse public findings and/or criminal record
- Issues of non-compliance with the WVHDF that continue to be unresolved after the end of the correction period, and continue to be unresolved at the time any such proposed loan is under consideration

- Failure to produce a project after receiving an award under and WVHDF program and/or has a history of repeated compliance issues.

Project Affordability

~~The WVHDF mission is to provide for safe, decent, affordable housing~~. ~~Federal programs such as LIHTC, HOME, HTF and RD 538 programs have specific restrictions on tenant income and/or rents to provide for affordable units over a specific period of time.~~ Projects receiving funding from the programs subject to this Policy must include affordability restrictions as required by applicable federal requirements (e.g. LIHTC, HOME, HTF, RD 538, RD 515) or as determined by ~~The~~ the WVHDF ~~will consider a project requesting financing from non-federal programs operated by the WVHDF, where the project includes affordable units as determined by the WVHDF~~ based on factors including property location, area median income, fair market rent, and other area demographics.

Lending Limit

To promote the diversification of Borrowers in the loan portfolio and to prevent a concentration of risk to a single Borrower, the maximum aggregate loan exposure to a single Borrower shall be limited to the greater of:

1. ~~20~~25% of the WVHDF's Audited Unrestricted Net Assets*
2. $~~15~~25,000,000

For the purposes of calculating a Borrower's aggregate loan exposure, certain loan types and loan structures are deemed "low-risk" and should not be fully allocated to a Borrower's aggregate balance. Low-risk loans are as follows:

1. Federal guarantee or mortgage insurance – Loans with a federal guarantee or mortgage insurance, such as the USDA 538 Loan Guarantee Program, reduce the ~~Fund's~~ WVHDF's risk exposure as they insure a predetermined percentage of the loan's balance in a loss scenario. As a result, for loans with such guarantees/insurance, only the uninsured balance of the loan will be allocated to a Borrower's aggregate loan balance.
2. LIHTC Construction** – The LIHTC Program has a very strict selection process that evaluates a developer's ability to perform and the viability of the project. As a result, projects that are awarded tax credits have already been vetted to a certain degree. The MLP construction loan amounts for LIHTC projects are typically large, however tax credit equity is injected into the project at the completion of construction, which substantially lowers the loan amounts to their permanent financing level. In addition, projects typically have permanent financing in place prior to the start of construction. All of the aforementioned factors contribute to lower financing risk. Therefore, projects that (1) have been awarded tax credits, (2) have entered into an agreement with a syndicator outlining the equity

contributions to the project (equity contributions must be made at, or prior to, the completion of construction), and (3) have a permanent financing commitment acceptable to the ~~Fund~~ WVHDF at its sole discretion, will be deemed "low-risk" and only 50% of the loan's exposure will be added to a Borrower's aggregate balance. Because of the size of construction loans, no more than three construction loans to the same Borrower can be outstanding at one time. Construction loans that are greater than 50% complete and are otherwise in good standing will not be factored into this limitation.

3. LIHTC Permanent** – MLP ~~L~~loans made for the permanent financing of LIHTC projects have reduced risk due to the quality, historical performance of LIHTC projects and the presence of tax credit syndicators and investor groups in the projects. The syndicators and investment groups must ensure the property (and related financing) performs as agreed to avoid the risk of a tax credit recapture. Because of this, these parties act as an extra layer of oversight during the compliance period (first fifteen years of the project). As a result, such loans are deemed "low-risk" and only 50% of the loan balance will be added to a Borrower's aggregate balance.

** Due to fluctuations in the balance of Unrestricted Net Assets the annual lending limit may decrease from the prior year. In these instances, entities will be considered in compliance with the lending limit if the limit was met at the time of loan approval.*
***In addition to being considered low-risk, LIHTC projects are designed to be "stand-alone", therefore the success or failure of one project should not have any influence on the success/failure of another. Because of this, there is less need to limit LIHTC exposure to a single developer. This is further justification to only allocate 50% of LIHTC loan balances to a Borrower's aggregate loan exposure*.

There may be circumstances where more than one of the low-risk categories applies. In these cases, all applicable exposure limitations will be implemented. For example, if a permanent LIHTC loan (#3 above) includes a USDA 538 guarantee (#1 above), only 50% of the uninsured loan balance will be added to the Borrower's aggregate loan balance. For the purpose of determining the aggregate loan exposure for each Borrower, the WVHDF will, at its sole discretion, group together loans to related parties and companies with common ownership based on an evaluation of the facts and circumstances of each loan relationship.

Special attention will be given to HOME and HTF loans when calculating aggregate exposure. The ~~Fund~~ WVHDF has risk exposure up to the original loan amount during the affordability period. For issues of non-compliance during the affordability period, the ~~Fund~~ WVHDF could be required to repay the entire original loan amount, regardless of payments that have been received and the outstanding balance at the time of the violation. Therefore, when calculating aggregate exposure for HOME and HTF loans within their affordability period, the following criteria will apply:

- ~~an amount appropriate to cover the Fund's overall risk related to each HOME and HTF loan will be used.~~ LIHTC Projects - For reasons stated above, LIHTC projects reduce the WVHDF's risk. Therefore, HOME and HTF loans in LIHTC projects will be considered low risk, and only 50% of the loan's balance will be added to a Borrower's aggregate loan balance.

- Project-Based Rental Assistance (PBRA) - The presence of PBRA in a project greatly reduces the risk of HOME and HTF loans. Therefore, in instances where the percentage of PBRA units in a project is greater than 50% of the project's overall units and the number of PBRA units is equal or greater than the number of HOME/HTF units in the project, the project will be considered low risk, and only 50% of the loan's balance will be added to a Borrower's aggregate loan balance.

- LIHTC and PBRA - There may be circumstances where both of the above-mentioned circumstances are present. For projects containing LIHTCs and a high percentage of PBRA units, only 25% of the HOME/HTF loan balance will be added to a Borrower's aggregate loan balance.

- All other HOME/HTF loans will be fully allocated to a ~~b~~Borrower's aggregate loan exposure, unless a determination is made that less than 100% of the loan's balance is needed to cover the WVHDF's risk. This determination should be made during the WVHDF's Loan Risk Monitoring (detailed below) and should be based on a variety of factors, including, but not limited to the following~~.~~:

    a. No issues of non-payment or non-compliance
    b. Strong collateral coverage (generally 75% LTV or less)
    c. Satisfactory balances in any required escrow and/or reserve accounts
    d. Remaining term of Affordability Period (if any)

~~For loans with a lower risk profile, an appropriate percentage of the original HOME/HTF allocation to cover the Fund's risk (such percentage shall not be below 50%) will be added to a borrower's aggregate loan exposure. All other HOME/HTF loans will be fully allocated to a borrower's aggregate loan exposure. To control the administrative burden of determining a HOME/HTF project's risk profile for the purposes of calculating aggregate loan exposure, only HOME/HTF loans equal to or greater than $500,000 will be considered. Therefore, all HOME/HTF loans under $500,000 will be fully allocated to a borrower's aggregate loan exposure. For HOME/HTF loans to be deemed low-risk, the project/loan should display some of the following characteristics:~~

~~Strong collateral coverage (generally 75% LTV or less)~~
~~Strong project cash flow (generally 1.25x DSC or greater)~~

~~Strong debt yield (generally 8.0% or higher)~~
~~Strong overall financial rating(s) based on annual reviews performed by the Asset Management Department~~
~~No issues of non-payment or non-compliance~~
~~Satisfactory balances in any required escrow and/or reserve accounts~~

~~Because of the added risk related to HOME and HTF projects, an increased emphasis will be placed on the loan structure and ongoing monitoring of these loans to give the Fund additional security.~~

Underwriting

Underwriting shall be performed for every new loan request to identify and minimize the risk associated with each loan. Underwriting guidelines will depend on the type, size and complexity of each loan. At a minimum, the following characteristics must be assessed:

- Borrower background, experience and financial condition
- Project cash flow/primary repayment source
- Guarantor analysis/secondary repayment source
- Collateral evaluation
- Property inspection (if applicable)

Underwriting guidelines that are specific to loan programs will be identified in the loan program guides. The underwriting performed for each loan shall be attached to or summarized in the loan's executive summary for review by the loan's approval source.

Loan Risk Monitoring

Ongoing monitoring is essential to help identify emerging risk factors. Several loan programs have requirements for ongoing monitoring, such as the HOME Program, the HTF and the USDA 538 Guarantee Program. WVHDF loans and relationships exceeding $1MM that are not part of a program with ongoing monitoring requirements shall be reviewed annually to identify any emerging risk factors. At a minimum, the following characteristics must be reviewed:

- Borrower financial condition
- Payment history
- Occupancy rates (if applicable)
- Reserve account activity (if applicable)
- Critical needs assessment (if applicable)
- Property inspection (if applicable)

If signs of increased risk are discovered during the annual review process, additional and/or more frequent reviews may be warranted.

For WVHDF loans and relationships under $1MM that are not part of a program with ongoing monitoring requirements, Loan Servicing will conduct their standard review of payments and escrows. If delinquencies occur and standard collection efforts prove to be unsuccessful, Multifamily and/or Asset Management will be alerted for further monitoring and remediation.

Authority Limits – Executive Director/Board of Directors

The WVHDF's Executive Director will have the authority to commit up to $300,000 (on an aggregate basis, per project) of WVHDF resources, including resources from the Multif~~-F~~amily ~~and Commercial~~ Loan Programs, the LIHTC Program, the Tax Credit Assistance Program, the Tax Credit Exchange Program, the Special Assistance Loan Program, the Land Development Program and the West Virginia Affordable Housing Fund, for the financing of a proposal, provided that any such proposal is consistent with the WVHDF's Board of Directors-approved program description for any such program. In the event the amount of funding requested and recommended for approval is in excess of $300,000; and/or any such proposal is not consistent with the program description for any such program, the proposed financing of any such proposal will require approval by the WVHDF's Board of Directors. In addition, all transactions approved by the Executive Director will be reported to the Board of Directors.

Any variance to the policies contained in this Policy is subject to consideration and approval by the Board of Directors.

EXHIBIT C

Affordable Housing Fund Program Annual Loan Term Sheet

Forgivable Loan Products - Funded by 90% of revenue collected				
Activity	**Purpose**	**Availability**	**Funding Limits***	**Terms**
Predevelopment	to provide funds for predevelopment costs related to the development of affordable housing (*e.g.* , market studies, architectural and engineering costs, surveys, environmental studies, etc.) If the project is selected to receive Low-Income Housing Tax Credits (or other tax incentive credits/funds) the loan must be repaid (see terms section)	RFP	not to exceed $20,000. Disbursed on a monthly basis (~~24~~-36-month draw period)	$200 nonrefundable application fee. Repayable only if selected to receive LIHTC (or other tax incentive programs) - 2% interest from the final disbursement; maximum ~~2~~ 3-year term; the loan will be deferred until the borrower obtains construction loan financing or the property is sold, or ~~2~~ 3 years after closing the loan, whichever occurs first; Loan renewal applications must be accompanied by a $100 nonrefundable application fee and will only be considered for projects that are actively drawing funds.
Permanent Gap Financing Loans - homeownership or rental	to provide permanent gap financing for new or rehabilitation projects - homeownership or rental (may include expenses such as acquisition and demolition)	RFP	**Homeownership** - $100,000 not to exceed ~~$20,000~~ $25,000 per unit. **Rental** - not to exceed the lesser of $150,000 or 33% of total project costs (24-month draw period)	**Homeownership:** 0% interest; 2-year term; loan forgiven if funds used for the purpose defined in the loan agreement. $200 nonrefundable application fee. May be paired with an AHF Repayable Development loan. Loan renewal applications must be accompanied by a $100 nonrefundable application fee. **Rental:** 0% - 5% interest; up to 30-year term. $200 nonrefundable application fee. Loans will be repaid by surplus cash of the project, if any, throughout the term of the loan. Loan renewal applications must be accompanied by a $100 nonrefundable application fee.
Organizational Technical Assistance Loans	to provide funds to assist with organizational technical assistance matters (*e.g.* , professional development, training, CNAs, short-term contract employee costs and consultant costs	RFP	not to exceed $10,000 to be reimbursed for substantiated costs on a monthly basis (~~18~~ 24-month draw period)	A $200 nonrefundable application fee. ~~No extensions wll be allowed.~~
Housing Counseling Loans	to provide funds for housing counseling to be provided by certified housing counselors and for training costs associated with housing counseling certifications	RFP	not to exceed $15,000 to be reimbursed at a rate not to exceed $200 per client; disbursed on a monthly basis (~~18~~ 24-month draw period)	A $200 nonrefundable application fee. ~~Training costs shall not exceed $2,000 of the total award. No extensions wll be allowed~~.
Repayable Loan Products - Funded by 10% of revenue collected				
Activity	**Purpose**	**Availability**	**Funding Limits**	**Terms**
Development Loans	to provide financing for activities associated with the development and/or preservation of affordable housing. Funds may be used for demolition only when associated with plans to move forward on an eligible housing project; may include Tax Incentive Programs for Acquisition only (e.g. , LIHTC Projects)	Ongoing basis	not to exceed $250,000. Disbursed on a monthly basis (24-month draw period)	Up to 5% interest. LTV not to exceed 100%. The repayment structure will be based on the type of project being financed and the associated risk. The loan term shall not exceed 30 years. $200 nonrefundable application fee. Loan renewal applications must be accompanied by a $100 nonrefundable application fee.

*Up to 5% of each award may be used for administrative costs