MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS
WEST VIRGINIA HOUSING DEVELOPMENT FUND
February 22, 2023

The regular meeting of the Board of Directors of the West Virginia Housing Development Fund (the "Fund") was held on Wednesday, February 22, 2023. The Board of Directors attended via video conferencing, via phone, and in person. The video conferencing information was made available to the public in the Notice of Meeting of the Board of Directors posted on the West Virginia Secretary of State website and the Fund's website. The Chair called the meeting to order at 9:01 a.m. with the following members present throughout, except where noted.

Ann Urling, Chair (via video)
Norm Bailey, Representative for the Honorable Kent Leonhardt, Commissioner of Agriculture (in person)
Kara Hughes, Representative for the Honorable Riley Moore, State Treasurer (via phone)
Patrick Martin, Member (via video)
Bob Nistendirk, Member (via video)
Allen Retton, Member (in person)
Steven Travis, Representative for the Honorable Patrick Morrisey, Attorney General (via phone)

Members Absent:

Sam Kapourales, Member
Kris Raines, Member

Staff present:

Erica Boggess, Executive Director
Julie Davis, Deputy Director - Production
Zach Fisher, Internal Auditor
Jessica Greathouse, Multifamily Programs Administrator
Trisha Hess, Senior Manager - Accounting
Whitney Humphrey, Communications Administrator
Maggie Leaptrot, Chief Financial Officer
Chad Leport, Division Manager – Finance and Federal Financial Compliance
Michael Lindsco, Manager – Asset Management
Martha Lilly, Legal Assistant
Kelley Ridling, Senior Manager – Internal Audit
Jon Rogers, Senior Division Manager – Single Family Lending
Lori Ryan, Executive Assistant

Kristin Shaffer, Senior Legal Counsel
Claire Spradling, Loan Processor and Closer
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
Chris Sadd – Sadd Brothers LLC

APPROVAL OF THE MINUTES OF THE JANUARY 25, 2023, MEETING

Representative Norm Bailey moved the approval of the minutes of the January 25, 2023 meeting. His motion was seconded by Member Pat Martin, and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

FINANCIAL STATEMENTS AND DELINQUENCY REPORTS FOR THE PERIOD ENDED JANUARY 31, 2023

Maggie Leaptrot presented the financial statements and delinquency reports for the period ended January 31, 2023. The financials and delinquency reports were accepted as presented.

CONSIDERATION OF BOND INDUCEMENT RESOLUTION FOR CONDUIT FINANCING OF UP TO $3,500,000 FOR MOOREFIELD PLACE APARTMENTS

Chad Leport presented a request for approval of a Bond Inducement Resolution on behalf of Moorefield Place LP. The proposed transaction will involve the acquisition, construction and improvement of Moorefield Place Apartments, a 20-unit affordable residential rental project for seniors located in Moorefield (the "Property"). The borrower for the transaction, Moorefield Place LP, is in the process of applying for 4% tax credits. If awarded the credits, it will need tax exempt bond financing to fund a portion of the costs of the acquisition and rehabilitation of the project.

Mr. Leport explained that the Fund is being asked to serve as the conduit bond issuer on behalf of Moorefield Place LP, and the bond amount requested is not to exceed $3,500,000. The Fund, as the conduit issuer, will provide access to the tax-exempt bond market. Mr. Leport stated that 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

Mr. Leport stated that the Fund has sufficient bond volume cap to meet this request. The Fund will earn a financing fee of $17,500. All costs of issuance in connection with the bonds will be paid by the borrower.

Mr. Leport recommended the Board's approval of the Bond Inducement Resolution with Moorefield Place LP. If approved, Mr. Leport stated that 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 issuing the bonds.

Member Martin moved approval of the Bond Inducement Resolution on behalf of Moorefield Place LP for conduit financing of up to $3,500,000 for the acquisition, construction and improvement of Moorefield Place Apartments. His motion was seconded by Member Allen Retton, and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

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

CONSIDERATION OF PROPOSED 2023 AND 2024 QUALIFIED ALLOCATION PLAN AND 2023 AND 2024 TAX CREDIT MANUAL

Michelle Wilshere gave a brief overview of the Low-Income Housing Tax Credit Program. Ms. Wilshere stated that, as required by Section 42 of the Internal Revenue Code, the 2023 and 2024 Allocation Plan will be subject to public hearing and then presented to the Governor for his signature. Ms. Wilshere stated that proposed changes to the Plan are outlined in the Board packet and explained that if substantive changes are made to the Plan following the public hearing, staff will bring the changes back to the Board for approval before forwarding the 2023-2024 Plan to the Governor for approval.

Member Martin moved to approve the Low-Income Housing Tax Credit Program 2023-2024 Qualified Allocation Plan. His motion was seconded by Member Bob Nistendirk, and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

A copy of the February 22, 2022 Memorandum summarizing the Proposed 2023-2024 Plan changes for the Low-Income Housing Tax Credit Program is attached as Exhibit B.

Ms. Wilshere presented the 2023-2024 Low-Income Housing Tax Credit Manual and explained that the Tax Credit Manual is the Fund's operational guide for the Low-Income Housing Tax Credit Program. Ms. Wilshere informed the Board that proposed changes to the Manual are outlined in the Board packet. Ms. Wilshere stated that the Manual is not subject to public hearing or Governor's approval, and staff is requesting approval of the Manual in substantially the form submitted.

Member Martin moved to approve the Low-Income Housing Tax Credit Program 2023-2024 Tax Credit Manual. His motion was seconded by Representative Bailey, and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

A copy of the February 22, 2023 Memorandum summarizing the Proposed 2023-2024 Tax Credit Manual changes for the Low-Income Housing Tax Credit Program is attached as Exhibit C.

CONSIDERATION OF CHANGES TO THE DEBT MANAGEMENT POLICY

Mr. Leport presented proposed changes to the Fund's Debt Management Policy and informed the Board that staff reviews the Board approved Debt Management Policy annually for any needed revisions. Various changes have been proposed throughout the policy to create a standard bond structure for all conduit transactions, to establish closing deadlines, and to impose penalties for missing bond closing deadlines.

Member Martin moved to approve the revisions to the Fund's Debt Management Policy as presented subject to the revision of the 2022 date on the cover memo to 2023. His motion was seconded by Representative Kara Hughes, and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

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

CONSIDERATION OF ERA2 HOUSING POLICY

Nathan Testman informed the Board that, at the October 2022 Board meeting, the Board approved the Fund's plan to use approximately $30 million of unobligated ERA2 funds for affordable housing production and preservation. The proposal included using ERA2 funds with 4% Low-Income Housing Tax Credits (LIHTC), in a manner similar to HOME CHDO funds, and as gap filler on 9% LIHTC projects.

Mr. Testman stated that staff is recommending approval of the proposed policy as presented which outlines how ERA2 funds will be administered.

Member Retton moved to approve the revisions to the ERA2 Housing Policy as presented. His motion was seconded by Representative Bailey, and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

A copy of the revisions to the ERA2 Housing Policy is attached as Exhibit E

CONSIDERATION OF CHANGES TO THE MULTIFAMILY LENDING POLICY

Mr. Testman informed the Board that staff reviews the Multifamily Lending Policy annually for any needed revisions. All proposed changes are related to the use of ERA2 funds for affordable housing production and preservation. Mr. Testman stated that staff is recommending approval of the proposed changes.

Member Martin moved to approve the changes to the Multifamily Lending Policy as presented. His motion was seconded by Member Nistendirk, and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

A copy of the changes to the Multifamily Lending Policy is attached as Exhibit F

UPDATE ON HOMEOWNERS ASSISTANCE PROGRAM

Erica Boggess informed the Board that the Fund opened the application portal for the Homeowner's Rescue Program in March 2022. The program currently provides assistance for mortgages, down payment loans, taxes and insurance, condominium and homeowners fees, utilities, and internet.

Ms. Boggess stated that staff is requesting Board approval to pursue a new component of the Homeowner Rescue Program to cover critical home repair costs. This addition will help address substandard housing issues allowing homeowners to continue living in their homes and help staff successfully deploy the federal homeowner assistance funds. If approved by the Board, staff will request approval of this change to the Fund's program plan from the U.S. Treasury.

Representative Hughes moved to approve the proposed changes to the Homeowner Rescue Plan and for staff to seek approval from U.S. Treasury. Her motion was seconded by Member Martin, and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

INFORMATIONAL ITEMS

S&P GENERAL OBLIGATION RATING FINAL REPORT

Mr. Leport informed the Board that S&P Global has affirmed the Fund's "AAA" rating.

A copy of the S&P Global General Obligation Rating Final Report is attached as Exhibit G

LEGISLATIVE UPDATE

Ms. Boggess informed the Board of three (3) items currently before Legislature that could bring additional programs for implementation by the Fund if passed and stated that staff is monitoring the legislation.

ADJOURNMENT

There being no further business, Member Nistendirk moved to adjourn the meeting. His motion was seconded by Member Martin. Meeting adjourned at 9:35 a.m.

Martha Lilly

Martha Lilly, Assistant Secretary

EXHIBIT A

WEST VIRGfNIA HOUSING DEVELOPMENT FUND

BOND INDUCEMENT RESOLUTION

RESOLUTION PRELIMfNARILY AUTHORIZfNG THE ISSUANCE OF NOT TO EXCEED $3,500,000 AGGREGATE PRfNCIPAL AMOUNT OF THE lSSUER'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 pw·pose of defraying the costs of refinancing, acquiring, constructing and improving such projects;

WHEREAS, Moorefield Place LP, a West Virginia limited partnership, (the "Sponsor"). has requested that the Issuer assist the Sponsor and/or limited partnership or limited liability company controlled by the Sponsor (the "Borrower") in financing the acquisition, construction and improvement of a 20-unit affordable residential rental project available for low-income seniors known as Moorefield Place Apartments, located at Maple Avenue, Moorefield, Hardy County, West Virginia 26836 (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 hereto as Exhibit A);

WHEREAS, the Borrower has requested that the Issuer issue its revenue bonds or notes in an aggregate principal amount not to exceed $3,500,000 (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 ce,tain 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 instrument (the ·'Loan Agreement") among the Issuer and the Borrower and/or the holder of the Bonds;

WHEREAS, the financing of the Project by the lssuer will promote and assist the Borrower to provide 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 Department of the Treasury (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 loan payments from the Borrower under the Loan Agreement, revenues of the Project, a mortgage loan or loans on the Property and/or a form or forms 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 [ndenture, the Loan Agreement and other documents with respect to the issuance and sale of the Bonds;

NOW THEREFORE. BE IT RESOLVED BY THE WEST VIRGrNIA HOUSfNG 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 pw·pose 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 $3,500,000, and to finance qualifying costs of the Project (which may include reimbursing the Borrower for the acquisition, rehabilitation and construction of, and the making of certain improvements to, the Property). such Bonds to be secured by and payable from loan payments from the Borrower under the Loan Agreement, revenues of the Project. a mortgage loan or loans on the Property and/or a form or forms of credit enhancement (such as cash collateral, a mortgage-backed security of a government-sponsored enterprise, such as the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac). 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 Bo.rrower. The Bonds shall be special 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 loan payments from the Borrower under the Loan Agreement. revenues of the Project a mo,tgage loan or loans on the Prope1ty and/or a form or forms of credit enhancement, and shall not be a general obligation or moral obligation of the [ssuer or in any way secured by any assets of the Issuer other than pursuant to the [ndenture and the Loan Agreement, subject to the Issuer·s rights thereunder.

4. The Project shall be owned by the Borrower and financed pursuant to the Loan Agreement, the tem1s of which are to be mutually agreed upon by the Borrower and the [ssuer, and which shall provide that the Borrower will be obligated to repay the loan made to the Borrower by the Issuer under the Loan 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 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 the State of West Virginia and local tax purposes, the Indenture, the Loan 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 ("Bond Counsel"), is hereby appointed bond counsel to the Issuer 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 Loan 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 Bond Counsel 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 Sandler & 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 22nd day of February, 2023.

Ann Vincent Urling

Chair, Board of Directors
West Virginia Housing Development Fund

Adopted this 22nd day of February, 2023.

E Z Boyd

Executive Director
West Virginia Housing Development Fund

West Virginia Housing Development Fund

CONSIDERATION OF 2023 AND 2024 ALLOCATION PLAN
FOR LOW-INCOME HOUSING TAX CREDIT PROGRAM

DATE: February 22, 2022

SUBJECT: Proposed 2023 and 2024 Allocation Plan for the Low-Income Housing Tax Credit Program

The Housing Development Fund, as the allocating agency for the State of West Virginia (the "State"), is responsible for administering the Low-Income Housing Tax Credit Program (the "LIHTC Program") and for developing and adopting a qualified allocation plan for the State. A qualified allocation plan specifies how properties will be selected for allocations of Low-Income Housing Tax Credits ("Credits"). The Proposed 2023 and 2024 Allocation Plan (the "Plan") meets the requirements of Section 42 of the Internal Revenue Code and has been reviewed by counsel.

The State anticipates receiving approximately $4,900,000 in low-income housing tax credits for 2023.

Following are some of the notable changes in the Plan from the 2021 and 2022 Allocation Plan summarized according to Plan section (redline version page references are included):

MINIMUM HOUSING STANDARDS AND SITE SUITABILITY RATINGS (pages 12 through 17)

Property Architect Site Suitability Rating (pages 14 through 16)

In order to ensure that proposed New Supply sites currently have water and sewer capacity for the proposed property, the Fund now requires the Property Architect Site Suitability Rating to include a will-serve letter or other documentation acceptable to the Fund for water and sewer.

The Fund also included in this section, with regard to the 100-year floodplain, the statement that Fund resources and equity generated from Credits may not be utilized for site flood mitigation.

SELECTION AND PREFERENCE CRITERIA (pages 19 through 77)

Property Characteristics (Including Existing Housing as Part of a Concerted Community Revitalization Plan) (pages 19 through 32)

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Set-Aside Categories (pages 19 through 22)

The Fund divided the New Supply Set-Aside Category which was included in the 2021 and 2022 Allocation Plan into two separate set-aside categories - New Supply Non-Rural Set-Aside Category and New Supply Rural Set-Aside Category. The prior New Supply Set-Aside Category comprised 53% of the State Housing Credit Ceiling. These new set-aside categories comprise 26.5% each of the State Housing Credit Ceiling. Rural areas of the State are those which are eligible for USDA's Guaranteed Rural Rental Housing Program (RD Section 538).

Type of Financing (pages 23 through 29)

RD or HUD Financing or Other Government Financing or Guarantee/Insurance (pages 23 through 26)

The Fund modified this scoring criterion from the prior year by providing two scoring tiers. The full points available (20) will be awarded to a property which has RD or HUD or Other Government Financing and such property evidences adequate cash flow to amortize a higher percentage of such financing. Otherwise, a lower point award (10 points) is available to a property which has RD or HUD or Other Government Financing and such property does not evidence such ability to amortize such financing at those specified percentages.

Ability to Produce a Qualified Low-Income Residential Rental Property (pages 32 through 41)

Developer's and General Partner's Post-2008 Timely Delivery of Units in West Virginia and Future Timely Equity Closing Commitment (pages 37 through 39)

In order to incentivize timely equity closing, the Fund has added 10 points to this scoring criterion which is awarded to property Owners who commit to closing equity on or before certain deadlines in the year following selection of the property. Following are the general deadlines:

- For properties which do not require RD or HUD approval – June 30
- For properties which do require RD or HUD approval – September 30

Due to the fact that this is a commitment to a future event, it is possible that the commitment may not be fulfilled. If the deadline is missed, 20 points will be deducted from each of the next three properties for which the Principals of the Ownership Entity request an allocation of Credits from the Fund.

Tenant Populations Targeted for Occupancy (pages 58 through 60)

Option 1: Tenant Populations with Special Housing Needs (pages 58 and 59)

Veteran has been added as a tenant population eligible for the points available.

<u>Preference for Concerted Community Revitalization Properties Located in Qualified Census Tracts (includes Scoring Alternative) (pages 66 through 68)</u>

The Fund added a scoring alternative which awards 15 points for properties which do not fulfill the 35 point criterion. Following is a summary of those types of properties eligible for the 15 points available:

- Properties located in Qualified Census Tracts
- Properties whose development is clearly and specifically stated as part of a Concerted Community Revitalization Plan
- Properties located in a Certified BUILD WV District

<u>PROPERTY SELECTION PROCESS (pages 78 through 83)</u>

This section of the Plan has been updated, as applicable, to include specifics related to Tax-Exempt Bond Financed properties. Historically, Tax-Exempt Bond Financed Properties have been non-competitive due to (1) the fact that such properties receive Credit from outside of the State Housing Credit Ceiling, and (2) the fact that the State has had ample tax-exempt bond authority to fund such properties. However, in anticipation of the possibility that the State may, in the future, have inadequate tax-exempt bond authority to Fund all such properties, this section details how Tax-Exempt Bond Financed properties will be selected.

The Fund has included in this section a deadline by which Tax-Exempt Bond Financed properties must close the equity and the bonds for the property. Specifically, once a Tax-Exempt Bond Financed Property receives a Selection Decision Letter which provides notification that the Property has been selected to receive Credits, such property must close bonds and equity prior to December 15 of the following calendar year. Properties failing to meet the above-referenced December 15 deadline will lose the bond volume cap which was set aside for the property and will be required to pay a penalty which is defined in the Fund's Debt Management Policy.

Staff is requesting your approval of the Plan in substantially the form submitted. As required by Section 42 of the Internal Revenue Code, the Plan will then be subjected to public comment through the public hearing process and submitted to the Governor for his approval. If, due to the public hearing, substantive changes are made to the Plan, staff may bring such changes back to the Board of Directors for approval before the Plan is forwarded to the Governor for his approval.

Respectfully submitted:

Erica L. Boggess
Executive Director

Julie Davis
Deputy Director – Production

Nathan E. Testman
Senior Division Manager - Multifamily Lending

Michelle L. Wilshere
Senior Manager of the Low-Income Housing Tax Credit Program

EXHIBIT C

West Virginia Housing Development Fund

<u>CONSIDERATION OF 2023 AND 2024 TAX CREDIT MANUAL FOR LOW-INCOME HOUSING TAX CREDIT PROGRAM</u>

DATE: February 22, 2023

SUBJECT: Proposed 2023 and 2024 Tax Credit Manual for the Low-Income Housing Tax Credit Program

The following information is provided to facilitate your review of the Proposed 2023 and 2024 Tax Credit Manual ("Manual") for the Low-Income Housing Tax Credit Program.

The Manual is the Fund's document which includes policies and procedures of the Low-Income Housing Tax Credit Program which are outside of the statutorily mandated requirements of a Qualified Allocation Plan.

Following is a summary of the notable changes in the Manual from the 2021 and 2022 Tax Credit Manual summarized according to Manual section (redline version page references are included):

<u>REQUIREMENTS FOR REQUESTS AND TIME-SENSITIVE DEADLINES (pages 5 through 33)</u>

<u>Bond Closing Deadline and Post-Bond Closing Submissions for Tax-Exempt Bond Financed Properties (pages 27 through 29)</u>

This section now includes a deadline for closing the bonds on a Tax-Exempt Bond Financed property. Such property must close the bonds and the equity prior to December 15 of the year following selection.

<u>Lease-Up Stage and Rent Increases Post-Prior to Equity Closing Underwriting (page 29)</u>

The Fund clarified in this new section that it is anticipated that units will be rented at a rent no higher than the rents reflected in the Prior to Equity Closing Form 1040 application. If an owner desires to rent units at a higher rent, the Fund's written consent must be requested and obtained.

<u>ALLOCATION POLICIES (pages 38 through 58)</u>

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Limitations on Number of Applications Submitted (pages 41 and 42)

The Fund prohibits the submission of a Reservation Request for a Tax-Exempt Bond Financed property by a first-time property developer or General Partner, who has not placed in service a Tax-Exempt Bond Financed Property located in any state and has not received the final Allocation Certifications for the buildings in such property.

Staff is requesting your approval of the Manual in substantially the form submitted.

Respectfully submitted:

Erica L. Boggess
Executive Director

Julie Davis
Deputy Director – Production

Nathan E. Testman
Senior Division Manager - Multifamily Lending

Michelle L. Wilshere
Senior Manager of the Low-Income Housing Tax Credit Program

EXHIBIT D

West Virginia Housing Development Fund

Debt Management Policy

Approved February 22, 2023

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WEST VIRGINIA HOUSING DEVELOPMENT FUND

DEBT MANAGEMENT POLICY

I. PREAMBLE

The West Virginia Housing Development Fund (the "Fund" or "WVHDF") 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 parameters. 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 goal, 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 of Directors (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 then-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's 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 proposals will be issued as needed for the Fund's financial advisor and investment bankers.

X. REPORTING

A debt report will be prepared on a quarterly basis 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 (i) the Fund is an authorized issuer of bonds for the State of West Virginia, (ii) the bonds are refunding bonds under the Internal Revenue Service Code, if applicable, or new money bonds are under the volume limitation applicable to the State of West Virginia, and (iii) proper notice and a public hearing was held according to the Code.

Bond financing timelines will assume a period of 21 days between the request for the Direction and Certification of the Governor and its receipt by the Fund.

WEST VIRGINIA HOUSING DEVELOPMENT FUND

Variable Rate Debt and Interest Rate Swap Management Plan

Background. 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 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 a 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. 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, with the expectation that the bonds will be repaid on an accelerated timetable. Additional risk exists in that the term of the VRDOs is 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. It is possible that there may be 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 or indexed; options to terminate the swap at par and at market under certain scenarios; 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 are sufficient, or whose obligations under a swap are insured or guaranteed by another entity whose long term debt obligations are sufficient to maintain the then-existing ratings of the Fund's long term debt, and/or shall be secured by a pledge of investment obligations sufficient to maintain the Fund's then-existing 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 proposals 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 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. Each issuance of variable rate debt will require express Board approval.

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.

Projects applying for conduit financing must use a short-term fully-cash-collateralized bond structure, unless otherwise approved by the Fund. Exceptions to this requirement will only be considered if the Project can satisfactorily demonstrate that the Fund's required bond structure is incompatible with project feasibility.

The Fund, in its sole discretion, will select the Fund's bond issuance team including but not limited to bond counsel, general counsel, and financial advisors.

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. If bond volume cap is available after giving consideration to the direct financing needs of the Fund and the proposed project is selected to receive an allocation of 4% Low Income Housing Tax Credits, bond volume cap will be temporarily reserved for the project. As stated in the 2023-2024 Qualified Allocation Plan for the Low-Income Housing Tax Credit Program, all projects that are selected to receive an allocation of 4% Low-Income Housing Tax Credits must close on equity and the bonds no later than December 15th of the following year. Projects failing to meet the December 15th deadline will lose the reserved bond volume cap and will be required to pay the issuance fee penalty described below.

Each proposed conduit financing is subject to approval by the Board. 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 Fund reserves the right to approve the developer's 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 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 $1,500 as well as an Issuance Security Deposit of 12.5 basis points of the proposed issuance amount. The Issuance Security Deposit will be applied toward the Issuance Fee (described below) if the proposed conduit bonds are issued prior to the December 15th closing deadline. Otherwise, the allocation will be rescinded, and the Issuance Security Deposit will be retained by the Fund to pay the issuance fee penalty described below.

- An Issuance Fee of 25 basis points, or a $17,500 minimum, is due at closing. The Issuance Security Deposit will be applied to this amount. Projects failing to meet the December 15th closing deadline described above must pay a penalty equal to the lesser of the Issuance Fee of 25 basis points or $17,500.

- 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. If the bonds do not close, the escrowed cost of issuance fees will be used to pay costs and fees related to the project.

- 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.

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.

WEST VIRGINIA HOUSING DEVELOPMENT FUND

Private Activity Bond Volume Cap Allocation Guidelines

Each calendar year, the Fund receives under West Virginia Code 13-2C-21, forty percent (40%) of the State of West Virginia's ceiling of tax- exempt private activity bonds ("Volume Cap") for the purpose of issuing, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), qualified mortgage bonds, qualified mortgage certificates or exempt facility bonds for qualified residential rental projects. Recent amendments to the Fund's Act (West Virginia Code 31-18-6(40)) authorize the Fund to allocate a portion of its Volume Cap to "any political subdivision or city or county housing authority authorized to issue bonds or notes for qualified residential rental projects", pursuant to which such other issuing authority ("eligible issuing authority") may issue tax-exempt private activity bonds or notes for qualified residential rental projects.

The Fund will evaluate at least annually its current-year allocation of Volume Cap in light of its own projected needs therefor, including both single family and multifamily direct and conduit issues, and, if available, after reservation of an amount sufficient to provide for the Fund's financing needs for the year, set aside a portion of its Volume Cap ("Set-Aside") as potentially available to be awarded by the Fund to one or more eligible issuing authorities.

Effective as of the date of this approved Debt Management Policy, the following are established as guidelines to be followed by the Fund in considering any request by an eligible issuing authority for an allocation of Set-Aside:

- Each year following the Low-Income Housing Tax Credit scoring and selection process, the Fund will evaluate its own financing needs and determine the amount of Set-Aside, if any, to be made available for allocation during the coming calendar year to eligible issuing authorities. It is anticipated that the amount of Set-Aside for allocation awards determined by the Fund will be presented to the Board for consideration and approval at its October Board meeting.

- Each eligible issuing authority requesting an allocation of Set-Aside must file an application in the form of Exhibit A hereto. Each application is subject to approval by the Board of Directors. An allocation will be considered awarded and evidenced by a Disposition of Request, the form of which is included in the application. Applications may be submitted to the Fund at any time after Board approval of the annual Set-Aside, if any, through December 1.

- A non-refundable fee of $5,000 is due at time of application.

- An application must be accompanied by the following documentation for each project:

    - Inducement/reimbursement resolution or other documentation of the preliminary approval of the project by the eligible issuing authority, in conformity with applicable federal and state law;
    - Written statement of bond counsel to the effect that the project meets or is expected to meet the requirements of Section 142(d) of the Internal Revenue Code of 1986, as amended ("Code") for a "qualified residential rental project" and that the interest on the bonds to be issued for the project is expected to be excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code;
    - A preliminary financing commitment from the proposed purchaser or underwriter of the bonds for the project;
    - Certification from the borrower/developer that (i) the project's financing package will include low-income housing tax credits under Section 42 of the Code and/or (ii) the borrower/developer will enter into a regulatory agreement with respect to the issuance of tax-exempt bonds for a qualified residential rental project in accordance with the requirements under the Code; and,
    - Proposed project timeline and sources and uses of funds for the project.

- An allocation award of Set-Aside by the Fund shall be effective until December 15th of the following year. Allocation awards will be made each year on a first-come, first-served basis until the annual Set-Aside is fully awarded or December 31st, whichever is earlier.

- Upon receipt of a Set-Aside allocation, the eligible issuing authority must deposit the lesser of 25 basis points of the allocation amount or $17,500 with the Fund. If the bonds close prior to the December 15th deadline, the deposit will be returned to the eligible issuing authority (a copy of the filed or to be filed Internal Revenue Service Form 8038 must be received by the Fund prior to the December 15th deadline to evidence that the allocation has been issued). If a Form 8038 is not received by the Fund prior to the December 15th deadline, the deposit will not be returned, and the Set-Aside allocation will be retained by the Fund.

Exhibit A

APPLICATION
REQUEST FOR
MULTIFAMILY HOUSING BOND
PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION

1. GENERAL INFORMATION

A. Issuing Entity ______________________________

B. Name of Project ______________________________

C. Number of Units ______________________________

D. Private Activity Bond Volume Cap Allocation Requested
$__________________________

2. PROJECT INFORMATION

A. General Description of the Project

____

____

____

____

____

B. Location of Project (City, County, or Town) ____________________

C. Name, address, and phone number of each proposed borrower and developer.

____

____

____

____

D. Name, address, and phone number of bond counsel.

____

____

3. ATTACHMENTS - ALL ATTACHMENTS MUST BE SUBMITTED WITH THIS FORM. ALLOCATIONS CANNOT BE AWARDED UNTIL ALL ATTACHMENTS HAVE BEEN RECEIVED. ALL DOCUMENTATION MUST BE CURRENT.

A. Inducement/reimbursement resolution or other documentation of the preliminary approval of the project by the issuing authority, in conformity with applicable federal and state law;

B. Written statement of bond counsel to the effect that the project meets or is expected to meet the requirements of Section 142(d) of the Internal Revenue Code of 1986, as amended ("Code") for a "qualified residential rental project" and that the interest on the bonds to be issued for the project is expected to be excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code;

C. A preliminary financing commitment from the proposed purchaser or underwriter of the bonds for the project;

D. Certification from the borrower/developer that (i) the project's financing package will include low-income housing tax credits under Section 42 of the Code and/or (ii) the borrower/developer will enter into a regulatory agreement with respect to the issuance of tax-exempt bonds for a qualified residential rental project in accordance with the requirements of the Code; and,

E. Proposed project timeline.

4. CERTIFICATION

I hereby certify to the best of my knowledge that the information filed herewith is true and correct, and that we are an issuing authority authorized to issue bonds or notes for qualified residential rental projects pursuant to Sections 103 and 142(d) of the Code.

____

Name of Issuing Entity

By:____

Signature of Authorized Representative

Name (please print) ____

Title ____

Full Address ____

____

Date____

Submit completed applications and the non-refundable fee to:

West Virginia Housing Development
Fund 5710 MacCorkle Avenue, SE
Charleston, WV 25304
Attn: Chad Leport
cleport@wvhdf.com

DISPOSITION OF REQUEST

This section is completed by the West Virginia Housing Development Fund.

______The Application is approved for allocation from the Fund's set-aside of private activity bond volume cap in the amount of $________________.

Date of Award: ________________________

______ The Application is denied for the reason(s) indicated below:

______ The Request exceeds the available set-aside

______ The application is incomplete or completed in error as described:

____

____

____

____

_____ Other reasons as follows:

____

____

____

____

____

Executive Director

West Virginia Housing Development Fund

West Virginia Housing Development Fund

ERA2 Housing Funds Policy

The statute establishing ERA2 states that a grantee may use any of its ERA2 funds that are unobligated on October 1, 2022 for other affordable rental housing purposes, provided that the grantee has obligated at least 75 percent of its total ERA2 allocation. Treasury defined "other affordable rental housing purposes" in its FAQ dated July 27, 2022, which includes the construction and rehabilitation of affordable housing. The Fund met the 75% obligation threshold and is eligible to use remaining, unobligated ERA2 funds for this purpose. This policy outlines how the Fund will administer ERA2 funds for the construction and/or rehabilitation of affordable housing ("ERA2 Housing Funds").

Project Eligibility

To be eligible to receive ERA2 Housing Funds, projects must meet the following criteria:

1. Units funded by ERA2 Housing Funds must be occupied by very low-income households (50% AMI units as defined in section 3(b) of the United States Housing Act of 1937 (42 U.S.C 1437a(b))),
2. The income restriction in #1 must be imposed through a covenant, land use restriction agreement, or other enforceable legal requirement for a period of at least 20 years, and
3. The project must conform to and meet the requirements of one or more of the following housing programs:
    a. Low-Income Housing Tax Credit Program (Treasury)
    b. HOME Investment Partnerships Program (HUD)
    c. National Housing Trust Fund (HUD)
    d. HOME-ARP Program (HUD)

Program Administration

Since ERA2 housing projects must be aligned with another federal housing program as outlined in #3 above, the administration of ERA2 Housing Funds will follow the policies and procedures of the program with which the ERA2 housing project is aligned. This includes policies and procedures for eligibility, application, underwriting, scoring, selection, compliance and monitoring.

Cost Allocation

It is anticipated that the majority of ERA2 Housing Funds will be used in mixed-income projects (projects that have multiple income targeting levels such as 30%,40%,50% and/or 60% AMI). This is allowable as long as the percentage of ERA2 Housing Funds in the project budget does not exceed the percentage of units that will serve very-low income households (50% AMI). For example, if ERA2 funds are used to fund 50% of a project's budget, then no less than 50% of the project's units must serve very-low income households.

If the project's funding sources impose multiple income restrictions on a unit, all restrictions must be satisfied by applying the most restrictive requirement.

5710 MacCorkle Avenue, SE, Charleston, WV 25304
304-391-8600 • 1-800-933-9843
www.wvhdf.com

Structure of ERA2 Housing Funds

ERA2 Housing Funds will be structured as a loan to the ERA2 housing project. Repayable loans are strongly desired and are incentivized in the scoring, selection, and underwriting processes of the programs with which ERA2 funds must be aligned. However, it is anticipated that ERA2 may need to be structured as a soft source of funding. In these instances, deferred payments must be repaid on a cash-flow-contingent basis (when possible) through annual payments equal to 50% of the borrower's net cash flow. The term of ERA2 Housing Fund loans must be at least 20 years to match the required affordability period stated in #2 above. Other loan terms (loan amount, rate, collateral) will be determined during project underwriting. The final structure of all ERA2 Housing Fund loans will be presented to the Fund's Board of Directors for approval.

Obligation Deadline

All ERA2 funds (including ERA2 Housing Funds) must be obligated (loaned) no later than September 30, 2025 and must be liquidated (disbursed) no later than December 31, 2025.

Program Income

Any proceeds or income received from ERA2 Housing Fund loans after September 30, 2025 must be used in accordance with this policy.

Administrative Costs

In accordance with Treasury's FAQ dated July 27, 2022, direct and indirect administrative costs incurred by the Fund with respect to ERA2 Housing Funds may be paid for with ERA2 funds, provided that the administrative costs do not exceed 15 percent of ERA2 Housing Fund expenditures.

Treasury Guidance

This Policy may be updated or amended as necessary to comply with any additional rules or regulations promulgated by Treasury.

EXHIBIT F

West Virginia Housing Development Fund
Multifamily Lending Policy

Multifamily 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 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:

- 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.
- ERA2 Housing Funds – provides construction and/or permanent financing for affordable housing projects that serve very low income households (50% 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.
- Land Development Program - provides below-market interest rate loans to qualified builders and developers 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.

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.

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

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, ERA2, RD 538, RD 515) or 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. 25% of the WVHDF's Audited Unrestricted Net Assets*
2. $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 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 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 the limitation of the number of construction loans that can be outstanding to a Borrower at one time.
3. LIHTC Permanent** – MLP 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, and ERA2 Housing loans when calculating aggregate exposure. The WVHDF has risk exposure up to the original loan amount during the affordability period. For issues of non-compliance during the affordability period, the 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, and ERA2 Housing loans within their affordability period, the following criteria will apply:

- LIHTC Projects - For reasons stated above, LIHTC projects reduce the WVHDF's risk. Therefore, HOME, ~~and~~ HTF, and ERA2 Housing 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, HTF, and ERA2 Housing ~~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/ERA2 Housing 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/ERA2 Housing loan balance will be added to a Borrower's aggregate loan balance.

- All other HOME/HTF/ERA2 Housing loans will be fully allocated to a 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)

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 Multifamily 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 G

S&P Global
Ratings

RatingsDirect®

West Virginia Housing Development Fund; General Obligation

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Table Of Contents

West Virginia Housing Development Fund; General Obligation

Credit Profile		
West Virginia Hsg Dev Fd GO ICR		
Long Term Rating	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings affirmed its 'AAA' issuer credit rating (ICR) on West Virginia Housing Development Fund (WVHDF).
- The outlook is stable.

Security

An ICR reflects the obligor's general creditworthiness and its capacity and willingness to meet financial commitments when they come due. The ICR does not apply to any specific financial obligation nor does it account for the obligation's nature and provisions, bankruptcy standing, or liquidation, statutory preferences, or legality and enforceability.

Credit overview

The ICR reflects our opinion of the fund's:

- Large and high-performing loan portfolio of approximately $764.9 million in primarily single-family and multifamily mortgage loans with decreasing delinquency rates, equal to approximately 2.6% of total loans in fiscal 2022;
- Very strong equity position, as evidenced by at least eight consecutive periods of S&P Global Ratings' calculated net position (excludes changes in fair value of investments) growth, reaching approximately $591 million in fiscal 2022;
- Very strong profitability, as evidenced by S&P Global Ratings' calculated return on average assets (ROA), which excludes changes in the fair value of investments, equal to 1.61% in fiscal 2022;
- Extremely strong capital adequacy ratios, including a five-year average S&P Global Ratings' calculated net equity-to-total assets of 49.8%--well in excess of the 25% benchmark for the 'AAA' rating category--a strong indication of ample resources available to sustain operations; and
- Experienced, proactive, and involved senior management and board of directors, which we view as essential to the ongoing success of the fund and its programs.

WVHDF's credit profile is characterized by extremely high credit quality and a low-risk asset base, in our opinion. In fiscal 2022, the Fund's total equity-to-total asset ratio remained stable at 53.7%, rebounding from a recent historical low of 46.5% in 2021--an outlier attributable to COVID-19-related passthrough funds. Notably, the fund's profitability ratios remain well above those of 'AA+' rated housing finance agencies (HFAs), supported by its consistently strong financial performance. Furthermore, we believe WVHDF benefits from a very strong and experienced management team, which continues to succeed in meeting its mission to finance affordable housing for West Virginia residents. The fund also enjoys a strong, mutually beneficial working relationship with the West Virginia Legislature that allows it to function with a significant degree of autonomy.

Environmental, social, and governance

We analyzed WVHDF's environmental, social, and governance (ESG) risks relative to its financial strength, management and legislative mandate, and the local economy and view them as neutral considerations in our credit analysis.

Outlook

The stable outlook reflects our view of WVHDF's extremely strong equity balances, consistent financial performance, excellent governance, and strong balance sheet consisting of low-risk assets. We also note that WVHDF historically demonstrated an ability to successfully navigate mortgage-industry turmoil while maintaining strong asset quality and leverage ratios, as evidenced by its performance throughout the Great Recession and more recently through the COVID-19 pandemic. Accordingly, we believe that the fund's strong equity and capital adequacy ratios position it well to maintain its credit quality even in the event of a contracting business cycle. Therefore, we do not expect to change the rating within the two-year outlook period.

Downside scenario

While highly unlikely within the outlook period, should loan performance sharply deteriorate and substantially weaken the fund's capital adequacy and profitability ratios to levels below those of criteria benchmarks on a trailing five-year basis, we could consider a negative rating action.

Credit Opinion

Financial Strength

In order to gauge earnings quality and stability, we review financial performance for the most recent five years, with emphasis placed on any notable fluctuations. A premium is placed on consistency of performance. WVHDF's performance, as evidenced by the financial ratios in table 1 at the end of this report, continues to be consistently strong, experiencing minimal volatility over the past five fiscal periods and throughout the pandemic. In addition, analysis of the fund's trends over the past five fiscal periods reveals them to be generally stable, as shown in table 2 at the end of this report.

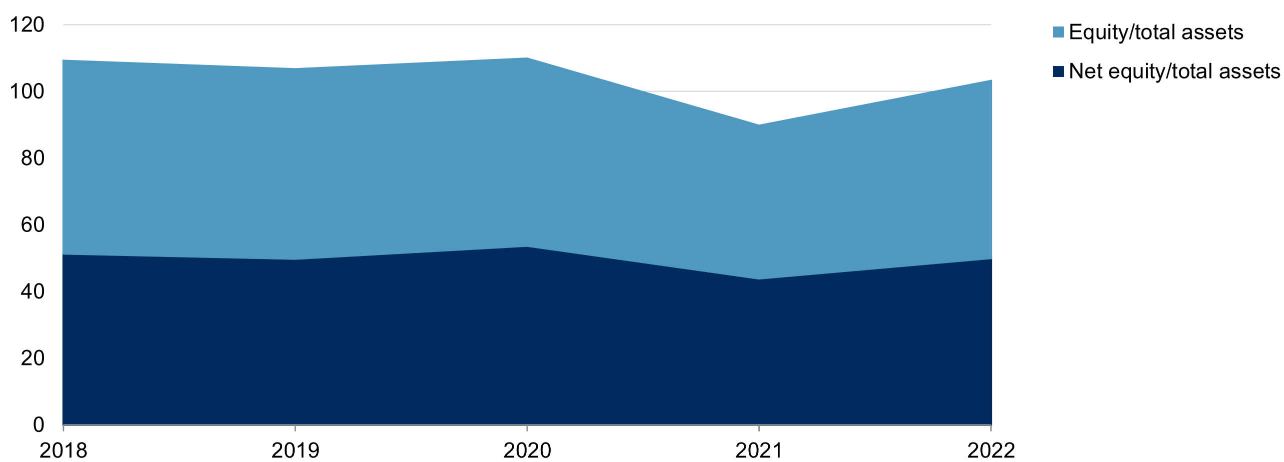
We also use income statement analysis to evaluate revenue sources, cost controls, and profitability in tandem with a balance sheet analysis of liquidity, capitalization, and asset quality. Both approaches involve evaluation of an organization's cash accumulation levels, types of investments, inter-fund borrowing, historical use of debt, loan loss reserves, real estate owned, net charge-offs, equity, and quality of assets. The principal areas of analysis, which are discussed below as they pertain to our evaluation of WVHDF, are capital adequacy (including equity and leverage), profitability, asset quality, and liquidity.

Capital adequacy

We consider WVHDF very well capitalized, with very strong capital adequacy and leverage ratios. The highest emphasis in our analysis is placed on net equity and the related ratios, which are therefore primary drivers in our 'AAA' ICR. As defined in our criteria, equity refers to WVHDF's net position, excluding changes in the fair value of investments. Similarly, the term "net equity" refers to the fund's net position after S&P Global Ratings' adjustments for projected loan losses, loan loss reserves, and other program-specific factors--also excluding changes in fair value. In this regard, net equity indicates the resources available to sustain operations during difficult circumstances, fund programs that further its mission of expanding housing affordability or pursue other strategic priorities. By our estimation, WVHDF's net equity increased to $534.3 million in fiscal 2021 before strengthening further to $544 million in 2022, approximately 4.6% above fiscal 2020 levels. Relative to total assets, the fund's net equity following 2022 remains among the highest of all rated HFAs at 50%. Chart 1 shows WVHDF's equity to total assets and net equity to total assets over the past five fiscal periods.

Chart 1

WVHDF--Equity/Total Assets Versus Net Equity/Total Assets (%)

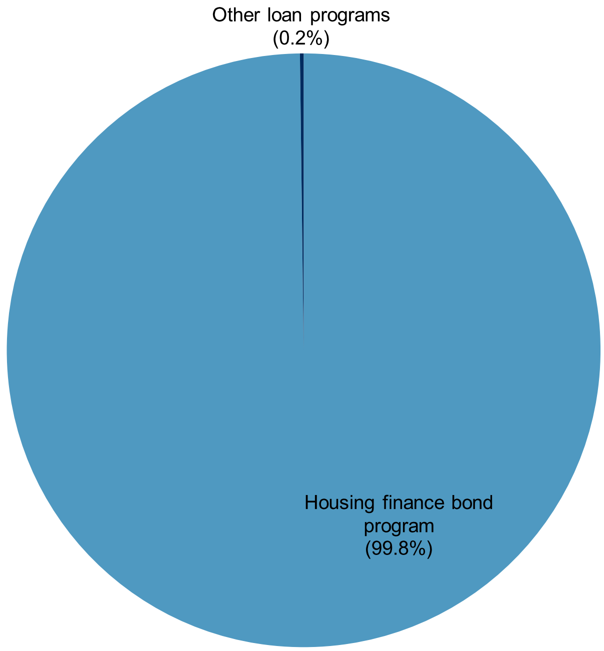


Source: S&P Global Ratings.

As of June 30, 2022, the fund reported approximately $286.4 million in net debt outstanding--including bonded debt under its Housing Finance Bond Program, as well as notes payable--a decrease of 8.4% year-over-year, and 14.1% below fiscal 2020 levels. As the fund's equity and net equity strengthened during the fiscal year, leverage ratios also improved, with equity-to-debt of 201.9% and net equity-to-debt of 189.9%. During fiscal 2022, WVHDF issued $30 million in bonds and redeemed bonds for approximately $35.53 million. The fund redeemed all debt within its new issue bond program (NIBP) resolution as of May 3, 2021, and the resolution is no longer active. All of WVHDF's debt is fixed rate, which we view as a credit strength and consistent with management's conservative strategy. Chart 2 shows the distribution among the different programs as of June 30, 2022.

Chart 2

WVHDF--Debt Summary As Of June 30, 2022



Source: S&P Global Ratings.

In our view, WVHDF's contingent liability position is very strong. The fund does not participate in risk-share programs nor has it issued privately placed debt. Furthermore, the fund's combined pension and other postemployment benefits (OPEB) contributions represented a mere 0.68% of total expenses in fiscal 2022. Of that amount, 0.31% represented required contributions to pension obligations, and 0.37% represented OPEB payments. The fund made its full pension and OPEB contributions in fiscal 2022.

All full-time WVHDF employees participate in the Public Employees' Retirement System (PERS), a cost-sharing multiple-employer plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). As of June 30, 2022, the plan was a strong 111% funded--calculated as plan fiduciary net position as a percent of the total pension liability--and at which time the fund reported a proportionate share of the total pension asset of $3.5 million. The fund offers OPEB through its single-employer Welfare Benefit Plan, an irrevocable trust for postemployment health care insurance benefits provided to employees. The plan was funded at 88.3% as of fiscal year end 2022 following a contribution of $789,000, exceeding the required contribution of $412,000. Owing to the relatively minimal annual costs associated with plans, and the generally strong funded statuses, we do not anticipate any fixed cost pressure resulting from WVHDF's pension and OPEB liabilities in the near term.

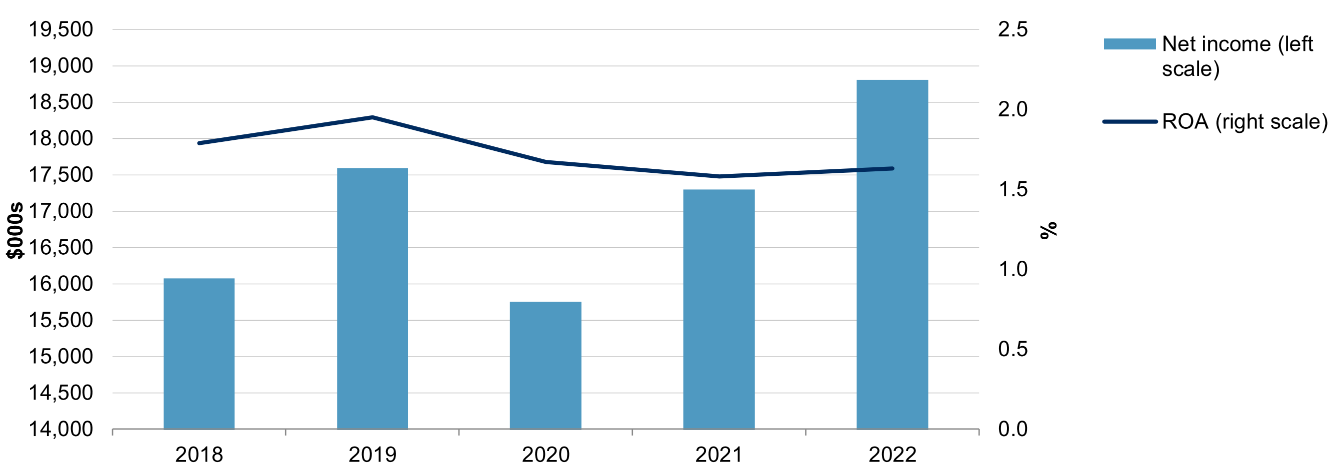
Profitability

We regard WVHDF's profitability as very strong. In order to assess an entity's operating efficiency and potential future financial performance, we first examine profitability ratios--primarily ROA. We calculated the fund's ROA as 1.56% in fiscal 2021 and 1.61% in 2022, below the recent historical peak of 1.95% achieved in fiscal 2019, but generally remaining in line with the strong historical average. Despite some marginal variability in total revenues in recent years, the fund increased and maintained a strong ROA by effectively managing expenses. Total revenues strengthened by 0.7% to $45.2 million in fiscal 2021, excluding passthrough grants, before decreasing 10% year-over-year due to softer interest income and other revenues. However, concurrent with these revenue trends, total expenses declined 4.0% and 21.6%, respectively. Consequently, net income grew 9.8% to $17.2 million in fiscal 2021 and 8.8% in 2022 to a recent historical maximum of $18.7 million.

WVHDF's servicing program and Secondary Market Program alike contributed to maintaining net income and increasing profitability. The fund began servicing its single-family mortgage loan portfolio in 1989 and currently services all of its single-family and multifamily loans. WVHDF also services loans on behalf of Fannie Mae, Freddie Mac, and various nonprofit organizations and banks. It remains the largest servicer in the State of West Virginia, with $1.2 billion under its portfolio. Servicing fee income in 2022 was more than $2.75 million, and represented approximately 7.6% of WVHDF's operating revenue, net of passthrough grant revenue. At the same time, the fund used the Secondary Market Program to boost revenue through the purchasing and selling of fixed-rate mortgage loans. It conducts this program primarily with Fannie Mae and remains the servicer on the loans after the sale. The sale price is determined at the date of commitment, and the commitment period generally ranges from 30-90 days.

Chart 3

WVHDF--Net Income And ROA

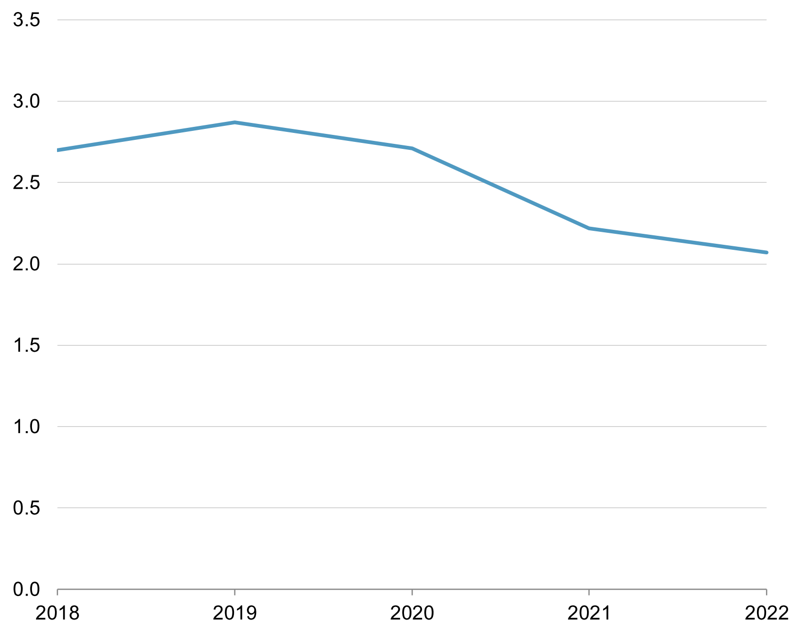


ROA--Return on average assets. Source: S&P Global Ratings.

Lastly, we include net interest margin in our assessment of an HFA's profitability, which indicates an entity's ability to issue debt at a low enough interest rate to support affordable loans at a higher rate--or earnings spread. After three consecutive year-over-year decreases in the fund's net interest margin (NIM) to a recent historical low of 2.05% in fiscal 2022, we calculate the five-year average at a still strong 2.48%. Furthermore, the 2.63% average from fiscal years 2017-2021 remained well above the average for 'AA+' rated HFAs at 1.54%.

Chart 4

WVHDF--Net Interest Margin (%)

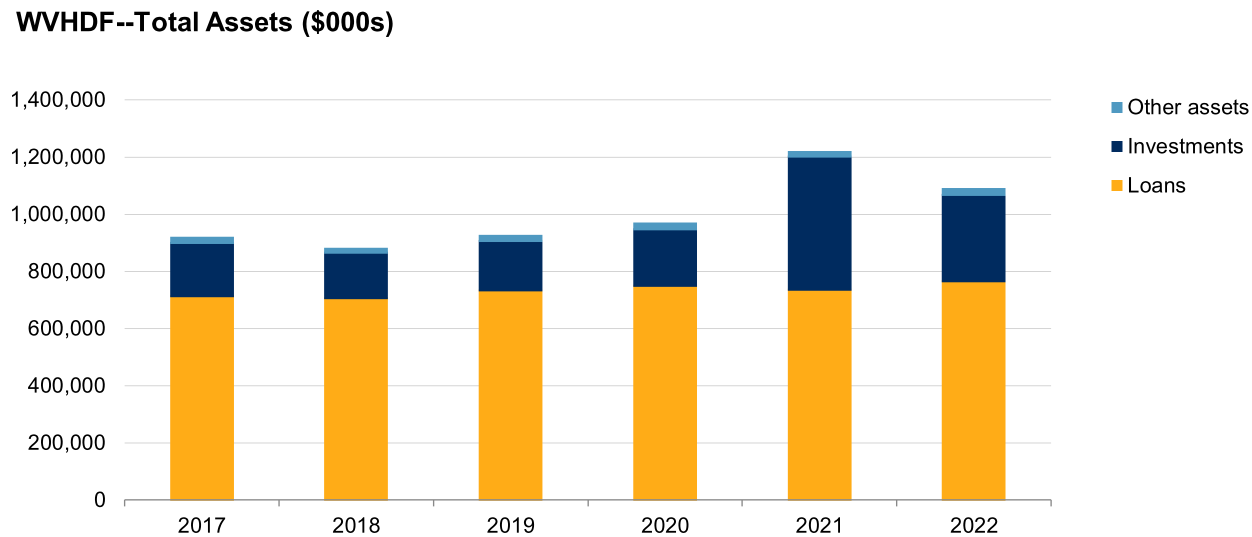


Source: S&P Global Ratings.

Asset quality

We view WVHDF's asset quality to be very strong and high performing. Because HFAs cannot levy taxes or raise user fees, the assessment of asset quality, in tandem with earnings quality or profitability, is of paramount importance to determining the ICR. The fund's mortgage loan portfolio represents its largest asset, with net mortgage loans constituting approximately 70% of total assets in 2022 (chart 5). Having declined in seven of the past 10 fiscal years, loan portfolio grew by 4% year-over-year to $764.9 million following 2022--a 10-year high. Bond-funded single-family mortgage loans originated under its Housing Finance Bond Program (general resolution) drove this growth, where single-family and multifamily loans account for 95.6% and 4.4%, respectively, of total program loans. This disparity stems from the fact that WVHDF has not issued multifamily bonds out of its general resolution since 1998, but due to a more recent uptick in statewide need for affordable multifamily housing, management pivoted to originating loans out of other funds and programs. Management will occasionally transfer multifamily loan assets into the resolution when advantageous, a practice which occurred in fiscal 2022.

Chart 5



Source: S&P Global Ratings.

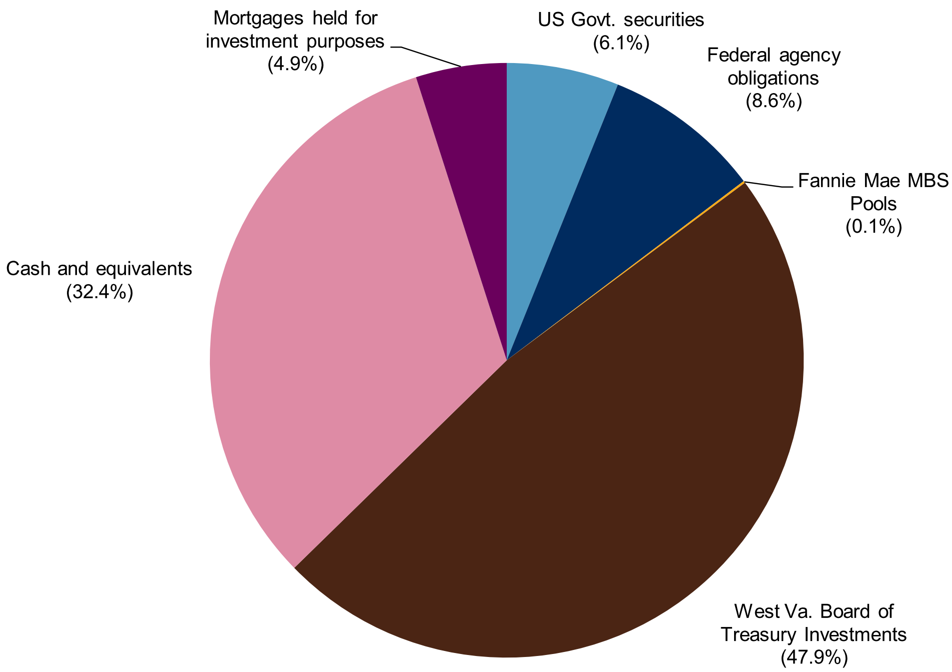
Amid the onset of the COVID-19 pandemic, the quality of the fund's underlying loans deteriorated somewhat in fiscal years 2020 and 2021, as assessed by non-performing assets (NPAs). However, NPAs-to-total loans and real estate owned decreased to 2.62% in fiscal 2022, reversing this two-year trend and falling below the recent historical low of 2.85% reported in 2018. Driving this was the contraction in total nonperforming assets by 42% to $23.3 million in fiscal 2022 from $40.6 million in fiscal 2021, while the loan portfolio saw sound annual growth. The ratio of loan loss reserves-to-NPAs similarly strengthened to 523%. Actual delinquencies in excess of two months, including foreclosures, for single-family mortgage loans outstanding under the Housing Finance Resolution specifically were 2.19% of total loans as of June 30, 2022, down from 2.65% in fiscal 2020 but an increase from 1.34% in fiscal 2021. Nevertheless, this figure compares favorably with the Mortgage Bankers Assn. average for delinquencies in West Virginia, reported as 3.58% as of fiscal year-end 2022, after accounting for differences in types of loans held.

Liquidity

WVHDF has what we view to be very strong and sufficient liquidity reserves. Liquidity ratios measure an organization's ability to cover short-term financial needs. We consider the ratios of total loans-to-total assets and short-term investments-to-total assets to be key measures of an organization's liquidity assessment. The fund's fiscal 2022 total loans-to-total assets ratio of 69.5% is strong, in our view, when compared with that of HFAs we rate, albeit slightly below the 75% benchmark for the 'AAA' rating category. On a trailing-five-year basis, total loans represent 72.6% of total assets. In addition, we consider asset-to-liability management as one of the primary mitigants to liquidity risk, since HFA balance sheets largely consist of long-term obligations, with maturity dates that are structured to match the maturities of long-term assets.

Chart 6

WVHDF--Investment Portfolio As Of June 30, 2022



Source: S&P Global Ratings.

WVHDF's investments are allocated in accordance with its investment policies and, in our opinion, are of high credit quality and liquidity (see chart 6). The fund's investment portfolio grew 136% year-over-year in 2021 to $466.9 million due to a steep influx of pandemic-related funds, before falling 35% in fiscal 2022 as funds were disbursed. Investments totaled $303 million at fiscal year-end 2022, adjusted for unrealized fair value, and provided about 4.8% of revenue. Approximately 15.6% of all investments in 2022 were held in 'AA+' rated U.S. Treasury or government agency obligations. Of the remaining portfolio, 47.5% was held in West Virginia Board of Treasury investments, 4.9% in mortgages held for investment purposes, and 32.1% in cash. The fund does not use derivative instruments.

Management And Legislative Mandate

WVHDF continues to be proactive in striving to ensure state residents have affordable housing opportunities. As of June 30, 2022, the fund provided assistance for more than 160,600 housing or housing-related units. In addition to traditional mortgage revenue bond and low-income housing tax credit programs, WVHDF offers programs tailored specifically to housing needs in West Virginia. The fund provides refinancing options for customers looking to reduce borrowing costs, and therefore continues to earn servicing income on such loans. WVHDF self-services 100% of its loan portfolio, thereby boosting loan servicing through its secondary market program as a Fannie Mae and Freddie

Mac seller/servicer of mortgage loans. Consequently, the fund remains the largest loan servicer in West Virginia, serving a loan portfolio that exceeds $1.2 billion.

The act governing the fund, as amended in January 2005, designates the governor or their designee as chairman of the board of directors and provides that the governor will appoint the executive director with the state senate's advice and consent, and that the executive director will serve at the governor's will and pleasure. We believe that the governor is cognizant of WVHDF's importance and that the fund maintains a good relationship with the state government.

An 11-member board of directors--seven of which are appointed by the governor, with the state senate's advice and consent, for four-year terms each--governs WVHDF. The remaining members include four ex officio members: the governor, attorney general, agricultural commissioner, and state treasurer. The board is backed by a core group of nine principal officers with a long record of effectively overseeing the fund's activities. Their experience provides a great source of stability and depth of knowledge to the fund, in our opinion. WVHDF has approximately 116 employees. We believe WVHDF's strong conservative management supports its strong profitability and leverage ratios, in line with our rating.

We expect WVHDF's relationship with the state government will remain strong over the next few years. The fund has an excellent history of working with the state to meet its legislative mandate. A series of 1989 charter amendments designed to promote economic growth and develop nonresidential projects, coupled with the fund's participation in state-related activities, underscores the state's continued confidence in WVHDF's ability to help promote rental and ownership activities for state residents.

In our opinion, elements of WVHDF's broader strategy--including aims of diversifying programs, investing in technology, strengthening cyber security, and focusing on succession planning--leave it well poised to sustain the fulfillment of its social mission while maintaining high credit quality. Investments in technology, cyber-security infrastructure, and internal personnel training highlight the fund's commitment to efficiency safeguarding against external data threats. And in response to previous internal studies revealing that approximately 50% of employees will be retirement-eligible in the next five years, WVHDF focused on succession planning. The implementation of these initiatives simultaneously support WVHDF's near-term financial stability, in our view, and demonstrate management's ability to remain adaptable in a changing marketplace.

Rating above the sovereign

Because we view the public finance housing sector as having "high sensitivity" to country risk, state HFAs are eligible for ICRs up to two notches above the U.S. (AA+/Stable). In our view, state HFAs meet the conditions for rating above the sovereign because they possess the ability to maintain stronger credit characteristics than the sovereign in a stress scenario, an institutional framework that is predictable and limits the risk of sovereign intervention, and the ability to mitigate negative intervention from the sovereign.

Specifically, state HFAs have a predominantly locally derived revenue base, with limited dependence on U.S. federal government support to finance their general fund operating expenses. In addition, HFAs have strong revenue and expenditure autonomy supported by both constitutional and statutory provisions, as well as high financial flexibility and independent treasury management functions. State HFAs generally have high liquidity and very strong unrestricted equity fund balances. HFAs' fully amortizing debt structures limit debt repayment requirements over a one-year period, such that they would likely not need to rely on market access to pay debt service in the near term. Finally, there has been a long history of strong bipartisan congressional support for affordable housing programs through recessions and periods of fiscal stress at the federal level.

Table 1

WVHDF--Financial Ratios

	--Fiscal year ended June 30--						--Five-year average--
	2017	2018	2019	2020	2021	2022	2018-2022
Leverage (%)							
Equity/total assets	53.4	57.9	57.0	56.1	46.0	53.2	54.0
Net equity/total assets	45.7	51.4	49.7	53.8	43.9	50.0	49.8
Net equity/total loans	50.8	55.1	54.0	59.9	62.5	61.3	58.6
Equity/total debt	144.9	180.7	171.4	162.6	178.8	201.9	179.1
Net equity/total debt	124.1	160.5	149.6	155.9	170.8	189.9	165.3
Profitability (%)							
Return on average assets	1.6	1.8	1.9	1.7	1.6	1.6	1.7
Net interest margin	2.7	2.7	2.9	2.7	2.2	2.1	2.5
Net interest margin (loans)	2.8	2.8	2.9	2.8	2.7	2.9	2.8
Asset quality (%)							
NPAs/total loans + REO	3.0	2.9	2.9	4.6	4.7	2.6	3.5
Net charge-offs/average NPAs	4.6	5.2	4.6	5.5	2.3	1.7	3.9
Loan loss reserves/total loans	13.5	14.0	13.8	13.7	14.0	13.7	13.8
Loan loss reserves/NPAs	447.5	487.8	475.3	295.6	294.3	523.0	415.2
Net charge-offs/average loans	0.2	0.2	0.1	0.2	0.1	0.1	0.1
Liquidity (%)							
Total loans/total assets	77.9	80.2	79.5	77.5	60.4	70.3	73.6
Total loan + MBS (loans)/total assets	77.9	80.2	79.5	77.5	60.4	70.3	73.6
Short-term investments/total assets	7.0	7.7	6.5	7.4	28.3	18.3	13.6
Total investments/total assets	20.1	18.0	18.6	20.5	38.3	27.9	24.7
Total other assets/total assets	2.0	1.8	1.9	2.0	1.3	1.8	1.8

NPAs--Nonperforming assets. REO--Real estate owned. MBS--Mortgage-backed securities.

Table 2

WVHDF--Five-Year Trend Analysis ($000s)

	2017	2018	2019	2020	2021	2022
Total assets	916,633	879,738	923,642	966,880	1,217,739	1,087,523
% change		(0.04)	0.05	0.05	0.26	(0.11)
Total debt	337,771	281,604	307,118	333,547	312,921	286,406
% change		(0.17)	0.09	0.09	(0.06)	(0.08)
Total equity	489,575	508,965	526,544	542,285	559,563	578,354
% change		0.04	0.03	0.03	0.03	0.03
Revenues	42,992	41,609	44,307	44,919	45,255	40,723
% change		(0.03)	0.06	0.01	0.01	(0.10)

Table 2

WVHDF--Five-Year Trend Analysis ($000s) (cont.)

	2017	2018	2019	2020	2021	2022
Net income	14,536	16,057	17,579	15,741	17,278	18,791
% change		0.10	0.09	(0.10)	0.10	0.09
Total loans	825,163	819,999	851,157	868,169	854,917	886,851
% change		(0.01)	0.04	0.02	(0.02)	0.04
Nonperforming assets	24,911	23,490	24,628	40,230	40,637	23,303
% change		(0.06)	0.05	0.63	0.01	(0.43)
Loan loss reserves	111,484	114,584	117,051	118,910	119,589	121,879
% change		2.78	2.15	1.59	0.57	1.91

Table 3

WVHDF--Peer Comparison

	2018-2022	2017--2021		
	West Virginia Housing Development Fund	**All 'AA' rated entities**	**All 'AA+' rated entities**	**All rated entities**
Capital Adequacy (%)				
Total equity/total assets	54.0	31.96	41.27	31.6
Net equity/total assets	49.8	25.21	35.92	26.42
Profitability (%)				
Return on average assets	1.7	1.39	2.53	1.68
Net interest margin	2.5	1.36	1.54	1.57
Asset quality (%)				
NPAs/total loans and real estate owned	3.5	2.29	2.03	2.3
Liquidity (%)				
Total loans/total assets	73.6	35.06	37.93	45.9

NPA--Nonperforming asset.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022