

**MINUTES OF MEETING  
OF THE  
BOARD OF COMMISSIONERS**

A regular meeting of the Rhode Island Housing and Mortgage Finance Corporation Board of Commissioners was held on Thursday, March 20, 2014, 2013 at 8:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman Jim DeRentis; Vice Chair Paul Dimeo; Paul McGreevy, Director of Department of Business Regulation; Chris Feisthamel designee for General Treasurer Gina Raimondo; Steven Costantino, designee for Richard Licht, Director of Administration (arrived at 8:35); Jose Monteiro and Andrew L. Cortés.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Kara Lachapelle, Director of Finance; Carol Ventura, Director of Development; Leslie McKnight, Director of Servicing; Peter Walsh, Director of Homeownership and Customer Service and Michael Milito, Deputy Assistant Director.

Steven Richard, Counsel to the Corporation was also present, as were members of the public.

Pursuant to Chapter 46 of Title 42 of the General Laws of Rhode Island, notice of the meeting of the Board of Commissioners was posted in the Offices of the Corporation and at the first floor bulletin board in the State House.

Chairman DeRentis called the meeting to order at approximately 8:30 a.m.

**Approval of Minutes of Board Meeting Held on February 20, 2014**

Upon a motion made by Commissioner Cortés and seconded by Commissioner Monteiro the following was adopted with 6 votes in favor and none opposed. Commissioner Costantino was not present for this vote.

VOTED: That the Minutes of the Board Meeting held on February 20, 2014 be and hereby are approved, with the correction noted above.

**Chairman's Report**

Chairman DeRentis welcomed everyone to the meeting but did not make a report.

**Committee Reports**

Chairman DeRentis noted that there were no Committee meetings held in February.

## **Executive Director's Review of Recent Activities and Trends**

Mr. Godfrey referred the Commissioners to his written report which included numerous attachments and commented on a few major topics of interest.

Mr. Godfrey was pleased to present Rhode Island Housing's 2013 Annual Report. It highlights the \$367 million that Rhode Island Housing invested in Rhode Island in 2013 including:

- \$114 million in affordable home construction
- \$72 million in single family homes financed
- \$171 million in federal grants administered

The report also includes great stories about the people who have benefited from Rhode Island Housing's programs and photographs of major events in 2013.

Commissioner Costantino arrived at this point of the meeting at approximately 8:35 a.m.

As requested by Commissioner McGreevy at the February 20, 2104 Board meeting, staff prepared an outline of the uses and general administrative processes for the \$171 million in federal grant programs that pass through Rhode Island Housing and are subject to the A-133 audit. Mr. Godfrey also provided a list of the current Continuum of Care grantees and their contract amounts

Mr. Godfrey stated that Rhode Island Housing is projecting that its earnings for FY 2014 will be ahead of budget expectations. In developing a financial and mission plan for the rest of 2014 and 2015, Rhode Island Housing expects to allocate some of the funds to restoring a few critical staff positions and providing much delayed salary increases and several million to fund programs.

Mr. Godfrey provided a brief update on the Rhode Island Housing Land Bank program.

Mr. Godfrey also mentioned that Rhode Island Housing is working to launch a new FirstHomes Tax Credit program in June. The program will allow qualified first-time homebuyers to obtain a federal tax credit of up to \$2,000 of mortgage interest paid for every year they live in their property and the mortgage is outstanding. Rhode Island Housing is able to offer this credit because the Agency moved to the TBA model and is not using tax exempt bonding authority to support its first mortgage loans.

Mr. Godfrey commented briefly on the federal Tax Reform proposals, the GSE reform bill and a proposed federal bill to delay the increase of federal flood insurance premiums.

## **Approval of Selection of a Residential Quality Control Services Provider**

Mr. Godfrey made this presentation.

This Request for Action is for authority to engage Adfitech, Inc. to provide post-closing quality control services for the single-family loan production program.

As part of our new mortgage financing platform, substantially all residential mortgage loans, whether originated through our retail business channel or funded through our lender network, are sold on the secondary market either to Fannie Mae, or to Ginnie Mae. In addition, many of these loans carry FHA mortgage insurance.

Rhode Island Housing is focusing on increasing our business from our participating lender partners. As we increase this line of business, we also increase the risk that our partners may make errors while processing and closing loans. Fannie Mae is particularly diligent in requiring that HFAs closely monitor outside originators' ability to produce quality loans which meet their requirements.

In order to satisfy the FHA and secondary market's stringent documentation and quality control requirements, Rhode Island Housing must either embark on a significant IT project to develop the reporting infrastructure demanded by the investors and increase our internal quality control staff, or outsource the post-closing quality control function to a third party that specializes in providing these services. In light of the time, complexity and costs involved, we decided to seek proposals from outside vendors.

On November 26, 2013 we issued a Request for Proposals ("RFP") from qualified firms to provide the residential mortgage services necessary to meet the secondary market post-closing quality control requirements. We received three responses to the RFP which were reviewed and evaluated by an internal committee. Based on its analysis, staff concluded that Adfitech Inc. was the best of the three vendors who responded to service Rhode Island Housing's needs. Weight was given to the quality of references provided by other Housing Finance Agencies who had experience with two of the three respondents. The fees proposed by each vendor were similar.

Adfitech's core business is residential mortgage loan review and they have been in business since 1983. Adfitech provides loan reviews, pre-funding quality reviews, compliance reviews, closing review, compliance review as well as underwriting review. Adfitech has over 600 clients, including Mass Housing who provided a positive recommendation for the company. They are headquartered in Edmond, Oklahoma and have more than 300 employees; none of the work is contracted out to third parties. In order to evaluate their services, files which had already been through quality control reviews at Rhode Island Housing were provided to Adfitech for analysis. Adfitech identified the same defects with the files as had been identified by Rhode Island Housing quality control staff.

The estimated annual cost of the contract based upon projected volume would be \$26,400.

Upon a motion made by Commissioner Cortés and seconded by Commissioner Dimeo the following resolution was unanimously adopted:

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

**Resolved:** That Rhode Island Housing is authorized to enter into a contract with Adfitech Inc., not to exceed three years, under which Adfitech shall provide any or all of the following residential mortgage services: 1) Post-closing quality control review, and 2) such other services deemed necessary by Rhode Island Housing to ensure compliance with secondary market requirements.

**Resolved:** That the Executive Director or Director of Homeownership, each acting singly, is authorized to negotiate and execute any and all contracts, agreements and other documents deemed necessary and in the best interest of Rhode Island Housing to carry out the foregoing resolution.

**Approval of Capital Improvement Loan Program**

Mr. Godfrey made this presentation

Rhode Island Housing has 13,700 affordable apartments in its portfolio. In addition, more than 4,300 affordable homes have been financed under the state's HOME Investment Partnership Program. Many of these developments were constructed and rehabilitated in the 1990s and are beyond the term of initial compliance. Several developments lack adequate reserves to conduct necessary improvements to insure that residents are housed in a safe and healthy environment. There is a need to upgrade these affordable apartments to meet health and safety standards, make necessary capital improvements and address physical deterioration due to wear and tear.

In 2001, Rhode Island Housing promulgated Rules and Regulations Applicable to the Rental Housing Capital Improvement Program. The program was specifically developed to provide loans for capital improvements in existing Housing Tax Credit developments. Staff recommends that the Rental Housing Capital Improvement Program Rules and Regulations be amended to provide assistance to other Rhode Island Housing financed rental developments such as those funded under the HOME Investment Partnership Program. An RFP will be conducted by staff in accordance with the Capital Improvement Loan Program Guidelines in Attachment A. Up to \$2,500,000 in funding will be available for the program subject to the availability of resources.

Staff recommends the approval of the attached Program Guidelines for the Rhode Island Housing Capital Improvement Loan Program and amendments to the Rhode Island Housing and Mortgage Finance Corporation Rules and Regulations Applicable to the Rental Housing Capital Improvement Program.

Upon a motion made by Commissioner Dimeo and seconded by Commissioner McGreevy the following resolution was unanimously adopted:

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

WHEREAS: Rhode Island Housing and Mortgage Finance Corporation (the “Rhode Island Housing”) established the Rental Housing Capital Improvement Program (the “Capital Improvement Program”) in 2001; and

WHEREAS: Staff recommends amendment of the Rules and Regulations Applicable to the Capital Improvement Program substantially in the form as presented at this meeting as Attachment B.; and

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing is authorized to publish for public comment the Amended Rules and Regulations of the Corporation Applicable to the Capital Improvement Program, (the “Amended Regulations”) substantially in the form presented, in accordance with the State of Rhode Island Administrative Procedures Act;

RESOLVED: That upon final adoption of the Amended Regulations, Rhode Island Housing be, and it hereby is authorized to issue an RFP in accordance with the Program Guidelines as recommended by staff in Attachment A.

RESOLVED: That the Executive Director and the Director of Development, each acting singly be, and hereby is, authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolution.

**Approval of Homeless Facility Improvement and Operating Deficit Fund**

Mr. Godfrey presented this request.

Homeless shelters and transitional housing developments in Rhode Island are in need of significant upgrades to insure that residents are housed in a safe and healthy environment. Housing and service facilities need to be upgraded and expanded in order to meet current health and safety standards, provide accessibility, make capital improvements, improve outcomes and address physical deterioration due to wear and tear. In addition, many organizations are struggling with operating deficits and require emergency funding to ensure that services are available to individuals and families served by these organizations.

In June 2001, the Board of Commissioners approved the creation of the Homeless Shelter Capital Improvement Fund Program (the “Shelter Program”) and reserved \$2 million in fiscal year (“FY”) 2001 and \$1 million in FY 2002 funds to fund capital improvements. The Shelter Program provided funding for capital improvements only. Staff recommends that the Shelter Program Rules and Regulations be amended to provide for the provision of emergency operating payments to cover deficits in current FY operations in accordance with the Homeless

Facility Improvement and Operating Deficit Fund Program Guidelines in Attachment A. Up to \$2,500,000 in funding will be available for the program subject to the availability of resources.

Staff recommends the approval of the attached authorizing the adoption of the Program Guidelines for the Rhode Island Housing Homeless Facility Improvement and Operating Deficit Fund and amendments to the Rhode Island Housing and Mortgage Finance Corporation Rules and Regulations Applicable to the Homeless Shelter Capital Improvement Fund Program in accordance with the Administrative Procedures Act.

Upon a motion made by Commissioner Cortes and seconded by Commissioner Feisthamel the following resolution was unanimously adopted:

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

WHEREAS: Rhode Island Housing established the Homeless Shelter Capital Improvement Fund Program (the “Shelter Program”) in 2001; and

WHEREAS: Staff recommends amendment of the Rules and Regulations Applicable to the Shelter Program substantially in the form as presented at this meeting as Attachment B.

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing is authorized to publish for public comment the Amended Rules and Regulations of the Corporation Applicable to the Homeless Shelter Capital Improvement Fund Program, (the “Amended Regulations”) substantially in the form presented, in accordance with the State of Rhode Island Administrative Procedures Act;

RESOLVED: That upon final adoption of the Amended Regulations, Rhode Island Housing be, and it hereby is authorized, to issue an RFP in accordance with the Program Guidelines as recommended by staff in Attachment A.

RESOLVED: That the Executive Director and the Director of Development, each acting singly be, and hereby is, authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolution.

**Approval of Adoption of Policies Applicable to the Single-Family Loan Program**

Mr. Godfrey made this presentation.

Until relatively recently, Rhode Island Housing used proceeds from the issuance of tax exempt bonds under the Mortgage Revenue Bond (MRB) program to finance single family mortgages originated by our participating lender partners or through the Rhode Island Housing Loan Center.

The MRB program came with various IRS required provisions governing income limitations, purchase price restrictions, first-time homebuyer status, and the like.

In response to the upheaval in the capital markets, and in order to offer a better rate to low- and moderate-income homebuyers, Rhode Island Housing expanded its lending platform to include various products offered by Fannie Mae that are only available to Housing Finance Agencies (HFAs) and those private lenders that participate in these HFA lending programs. These new lending platforms, which are available to our participating lenders, do not have the same restrictions and limitations that are applicable to the traditional MRB program.

Rhode Island Housing announced this new lending model in early 2013. Representatives of several of our lending partners and the general mortgage banking industry were concerned that the new platform represented a fundamental shift in the types of loans that we intended to originate, particularly through our Loan Center. Staff has had several meetings with representatives of our participating lender partners where these concerns were discussed, and it became apparent that there was some miscommunication regarding our intentions in adopting the new lending platforms.

In response to the concerns that were raised, and in order to clarify the types of lending Rhode Island Housing intends to undertake through our Loan Center, staff believes it would be useful to set forth our policies regarding loans directly originated by Rhode Island Housing in order to avoid any misunderstanding on the part of our participating lender partners and the mortgage lending community. The statement of policies embodied in the attached resolution were developed in consultation with and significant input from these entities.

The essence of the policies is that Rhode Island Housing will continue to apply the MRB income limits, purchase price limits and first-time homebuyer requirements to any loans which we directly originate through our loan center under any lending platform. To the extent that a particular platform does not contain such restrictions our participating lender partners will be permitted to originate loans for sale to Rhode Island Housing without regard to such restrictions, as long as such loans comply with applicable requirements. Rhode Island Housing will refinance mortgages that we currently service, provided that if the original loan was originated by one of our participating lender partners, that lender be given the opportunity to provide such refinancing. Finally, Rhode Island Housing will continue to offer loans pursuant to federal, state or local targeted loan programs, such as Clean Water loans, home repair loans, in accordance with the requirements of such program.

Staff recommends the attached resolution setting forth a statement of policies applicable to the single family loan program be approved.

Commissioner Monteiro recused from the discussion or vote of this matter due to his position at Navigant Credit Union who is an active member of the Rhode Island Bankers Association and that a potential conflict of interest exists regarding Navigant's position on the new platform.

Upon a motion made by Commissioner Cortés and seconded by Commissioner Costantino the following resolution was approved with 6 votes in favor, none opposed and one recusal by Commissioner Monteiro. Commissioner Monteiro recused and did not participate in the discussion, consideration or vote on this resolution.

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

- WHEREAS,** Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) is authorized, pursuant to Section 42-55-7 of the Rhode Island General Laws, “[t]o invest in, purchase or to make commitments to purchase ... from mortgage lenders, of notes and mortgages evidencing loans for the construction, rehabilitation ... purchase... or refinancing of housing for persons and families of low and moderate income”; and
- WHEREAS,** Subsection 42-55-7(3) thereof grants Rhode Island Housing the power “...to make loans directly upon the security of a mortgage...provided that the underlying mortgage loans have been made and shall continue to be used solely to finance or refinance the construction rehabilitation or purchase or leasing of residential housing for persons of low and moderate income...”; and
- WHEREAS,** the Board of Commissioners has previously granted Rhode Island Housing authority to issue specific program bulletins, policies and procedures establishing specific program rules especially where the amount of available funds may be limited and determined that it is in the public interest that funds should be allocated to those individuals and families with the greatest needs; and
- WHEREAS,** the Board of Commissioners has previously authorized Executive Director, any Deputy Director or the Director of Homeownership acting singly or collectively to undertake any and all actions necessary to implement programs to finance or refinance the purchase, construction or rehabilitation of residential housing for persons and families of low and moderate income; and
- WHEREAS,** Rhode Island Housing has earned substantial good will and trust among the people of the State of Rhode Island by creating programs offered through third party lenders and brokers and being available as a principled lender committed to the consumers’ interest; and
- WHEREAS,** consumers in Rhode Island should be encouraged to explore a broad range of loan options, to become educated on the benefits of all loans, and to obtain the best loan for their individual situation: and
- WHEREAS,** Rhode Island Housing operates, in part, through origination relationships with third party lenders and brokers who offer loans available through Rhode Island Housing as part of a portfolio of loans available from other sources, some of which are unavailable through Rhode Island Housing; and
- WHEREAS,** Rhode Island Housing’s direct origination activities may compete with third party lenders and brokers who offer loans available through Rhode Island Housing; and
- WHEREAS,** it is vital to the Rhode Island economy to preserve a vibrant market for residential loans; and

**WHEREAS,** the Board of Commissioners believes it is in the best interest of Rhode Island Housing to define the scope of its loan origination activities for loans secured by single family residential housing (as defined in Section 42-55-3 of the Rhode Island General Laws) and to establish thresholds applicable to such loans when originated directly by Rhode Island Housing so as to clarify Rhode Island Housing's direct lending activities for the benefit of such third party lenders and brokers and the public,

**NOW, THEREFORE, IT IS HEREBY:**

**RESOLVED:** Unless made pursuant to a program specifically approved by the Board of Commissioners with not less than 90 days prior notice to the public and all third party lenders and brokers who are eligible to originate loans for Rhode Island Housing, no loan secured by single family residential housing originated directly by Rhode Island Housing and closed in its name shall exceed the sum of \$25,000 unless (i) the loan is a Home Equity Loan that does not exceed \$60,000; (ii) the loan is made pursuant to a federal, state or local loan program for specified targeted purposes, such as loans under the Lead Hazard Reduction program, the Access Independence program, the Thresholds program, the Clean Water program, and the like, (iii) the loan is a refinance of a loan serviced by Rhode Island Housing, provided that if the loan was originated by a lender or broker who is currently a Rhode Island Housing approved lender or broker, the potential refinance shall first be referred to such lender or broker for consideration, and such lender or broker shall have not indicated its intention to make the loan within a reasonable time, or (iv) the loan meets each of the following criteria:

1. The loan is made only to persons having current family income equal to or below the applicable median family income determined in accordance with Section 143(f) of the Internal Revenue Code as in effect from time to time;

2. The loan is made only to a home buyer to acquire single family residential housing for use by the eligible home buyer as his or her principal residence in accordance with Section 143(c) of the Internal Revenue Code;

3. The loan is made to finance the residence of a homebuyer who has had no present ownership interest in their principal residence at any time during the 3-year period prior to the date of the mortgage, except as to financing with respect to targeted area residences in accordance with Section 143(d) of the Internal Revenue Code; and

4. The acquisition cost for any single family residential housing acquired with the proceeds of the loan do not exceed the maximum acquisition cost that would be permitted if such loan were to be included in an issue subject to Section 143(e) of the Internal Revenue Code, taking into account all adjustments for targeted area residences and high housing costs.

**Executive session pursuant to RI Gen Laws 42-46-5(a)(2) for the purpose of discussing the litigation matter captioned Gayle Corrigan v. Rhode Island Housing and Mortgage Finance Corporation and Richard H. Godfrey, Jr., C.A. No. 14-54-S (U.S. Dist. Ct.) with outside legal counsel.**

Chairman DeRentis called for a closed session at 8:58 a.m. pursuant to R.I.G.L. Section 42-46-5 (a) (2) to discuss litigation matters.

Upon a roll call vote each of the commissioners voted in favor of the motion for closed session.

The closed session ended at approximately 9:50 a.m. and Chairman DeRentis reconvened the Board in open session.

A motion to seal the minutes of the closed session was duly made by Commissioner Cortes and seconded by Commissioner Monteiro, which was unanimously adopted by the Commissioners.

There being no further business to discuss, the open meeting was adjourned at approximately 10:00 a.m.

Respectfully submitted,

Richard Godfrey  
Secretary and Executive Director