

Rhode Island Housing and Mortgage Finance Corporation

Minutes of the Meeting of the Management Committee

August 12, 2016

The Management Committee of the Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) convened at the offices of the Corporation, 44 Washington Street, Providence, RI, at 1:00 pm on August 12, 2016.

Committee members present were Ellen Balasco, designee for Committee Chairman Macky McCleary, Chairman Nicolas Retsinas and Patrick Marr; designee for Commissioner Seth Magaziner (arrived at 1:08 p.m.). Commissioner Stephen McAllister was absent.

The following Rhode Island Housing staff was also present: Barbara Fields, Executive Director, Carol Ventura, Deputy Director; Kara Lachapelle, Chief Financial Officer; Michael Fitzmaurice, Director of Finance; Leslie McKnight, Director of Loan Servicing and Asset Management; Claribel Shavers, Director of Leased Housing and Rental Services; Nicole Clement, General Counsel; and Jay Guthin, Assistant Director of Loan Servicing and Asset Management.

A quorum being present, Committee Chairperson Balasco called the meeting to order at 1:04 pm.

The Committee considered the following matters:

1. Recommendation for Approval of External Charitable Donations and Contributions

Ms. Clement made this presentation and referred the Committee to the summary of charitable donations and contributions provided for June, July and August.

This request is for approval and ratification of Charitable Donations and Contributions of Rhode Island Housing pursuant to the Quasi-Public Accountability and Transparency Act, Chapter 155 of Title 42 of the Rhode Island General Laws (the “Act”).

Rhode Island Housing’s support of the organizations set forth on Attachment A to the proposed Request for Action furthers the agency’s corporate purposes by encouraging and stimulating development of housing to alleviate the shortage of safe and sanitary residential housing for low- and moderate-income persons as set forth in R.I.G.L. §42-55-2(a). The Latino Policy Institute (“LPI”) at Roger Williams University is committed to generating and communicating non-partisan data of Latinos in Rhode Island. LPI’s mission is to stimulate public policy discussions and enhance the public’s understanding of the Rhode Island Latino experience. LPI is celebrating its 10th Anniversary by honoring Latino leaders and other community leaders who have shaped and encouraged LPI along the way. The Institute of Real Estate Management (“IREM”) is an international community of real estate managers dedicated to ethical business practices, maximizing the value of investment real estate, and promoting superior management through education and information sharing. The Friends of IREM program allows vendors, firms and/or industry professionals to present their products or

services to chapter members, and foster relationships with locally represented service contractors and other real estate related professionals. IREM and its members continue to partner with Rhode Island Housing to bring safe, affordable and healthy housing to the people who live and work in Rhode Island. The Downtown Providence Parks Conservancy (“DPPC”) is a public-private partnership formed to preserve and revitalize Providence’s historic downtown core by transforming it into a lively, cohesive and prosperous economic and cultural center through the development and management of exceptional public spaces, which is consistent with Rhode Island Housing’s KeepSpace initiative. As part of the Performance in the Plaza series, DPPC will host two (2) outdoor performances of the Doppelganger Dance Collective’s “The Trail We Left Behind.” The Greater Providence Board of Realtors (“GPBOR”) is the oldest and largest REALTOR® Association in Rhode Island. GPBOR and its members continue to partner with Rhode Island Housing to promote homeownership and to promote the REALTOR® Code of Ethics. The work of these organizations furthers and supports the mission of Rhode Island Housing.

The Committee reviewed the request and determined that the proposals were consistent with Rhode Island Housing’s interests.

Ms. Fields remarked that as Rhode Island Housing is a major presence in the Downtown Providence area, supporting the Downtown Providence initiatives generates supplementary publicity for Rhode Island Housing.

Chairman Retsinas asked that a summary of the yearly contributions be prepared to distribute to the Board of Commissioners at the end of the year. Ms. Clement assured Chairman Retsinas that a report will be presented at the December Board of Commissioners meeting.

Upon a motion made by Chairman Retsinas and seconded by Committee Chairperson Balasco the Committee voted to recommend approval of the proposed donations and contributions to the Board of Commissioners.

2. Recommendation for Approval of Amendment to the PHA Annual Plan

Ms. Fields announced the topic and Claribel Shavers, Director of Leased Housing and Rental Services made the presentation. Ms. Shavers stated that the specified amendments are part of the regulatory maintenance required by HUD.

Rhode Island Housing acts as a public housing authority (“PHA”) with respect to the administration of Section 8 tenant-based rental subsidies provided by the U.S. Department of Housing and Urban Development (“HUD”) through the Housing Choice Voucher (“HCV”) Program. In accordance with Title V of the Quality Housing and Work Responsibility Act of 1998 (the “Act”), Rhode Island Housing must adopt an annual plan for this program that establishes goals and objectives for meeting the housing needs of the agency’s jurisdiction (the “Annual Plan”). The Annual Plan includes Rhode Island Housing’s strategies for expanding the supply of assisted housing, promoting family self-sufficiency, and ensuring equal opportunity in housing.

The Annual Plan for Fiscal Year 2017 was originally approved by the Board of Commissioners in April 2016 and was subsequently reviewed and approved by HUD. Rhode Island Housing is now proposing changes to HCV Program admission preferences, which meet the criteria for a Significant Plan Amendment specified in our most recent 5-Year PHA Plan. These changes to admission preferences were reflected in the new Housing Choice Voucher Administrative Plan presented to and approved by the Board in June.

Specifically, Rhode Island Housing's homeless definition has been revised in accordance with staff recommendations to improve administrative processes and more accurately state agency priorities with respect to serving the homeless and persons exiting institutional settings. A description of the changes is included in the Revised Annual Plan attached to the proposed Request for Action at Attachment B.

In addition, in anticipation of the opening of the HCV Program waitlist in conjunction with the Providence Housing Authority, a new admission preference category has been created for Rhode Island residents. Both agencies anticipate a significant volume of applications, and the intent of this change is to ensure that the Program serves Rhode Island's most vulnerable residents.

As the Board of Commissioners is aware, the Division of Leased Housing and Rental Services recently made other updates to its Housing Choice Voucher Administrative Plan to reflect current practice and ensure compliance with recent HUD guidance. However, these other changes would not trigger the requirement for a revised Annual Plan submission.

In accordance with the requirements of the Act, program participants were randomly selected to review the Revised Annual Plan, and Rhode Island Housing held a public hearing and provided a forty-five day period for public comment. Rhode Island Housing's Development staff reviewed the Revised Annual Plan to ensure consistency with the State's comprehensive plan. The Revised Annual Plan must be approved by the Board of Commissioners and presented to HUD.

Attachment B sets forth the components of the Revised Annual Plan for Fiscal Year 2017. The Annual and 5-Year Plans, in their entirety, are available for review at Rhode Island Housing in the Section 8 Department of the Division of Leased Housing and Rental Services.

Ms. Fields commended Ms. Shavers and her team on the immense work they performed on this assignment.

Upon a motion made by Chairman Retsinas and seconded by Committee Chairperson Balasco, the Committee unanimously voted to recommend for approval the proposed amendments as stated above to the Board of Commissioners.

Patrick Marr, designee for Commissioner Magaziner arrived at this point of the meeting at 1:08 p.m.

3. Recommendation for Approval of Engagement of Bond Underwriting Firms

Kara Lachapelle, Chief Financial Officer made this presentation.

Rhode Island Housing uses a group of investment bankers to assist in structuring our bond offerings and leading the sales effort to place its bonds with retail and institutional buyers. Rhode Island Housing issued a Request for Proposals (“RFP”) for such services in April 2016. In order to solicit interest from a broad group of investment banks, Rhode Island Housing advertised its RFP in the national daily trade publication for the governmental bond industry.

Rhode Island Housing received written proposals from seventeen firms wishing to serve as underwriters or selling group members. Proposals were reviewed and evaluated by a committee and five (5) firms were selected as finalists for senior managing underwriters. They were J.P. Morgan Chase & Co., Bank of America Merrill Lynch, Morgan Stanley & Co. LLC, Jefferies LLC, and RBC Capital Markets, LLC. Staff conducted in person interviews with the five (5) firms during the afternoons of July 28 and July 29.

Firms were evaluated on several factors including industry experience, marketing/sales ability, and creativity in transactions. Based on a review of the proposals and the in person interviews, staff recommends that J.P. Morgan Chase & Co., Morgan Stanley & Co. LLC, and RBC Capital Markets, LLC be selected as co-senior managers to be used on a rotating basis for fiscal years 2017-2019.

Staff is also recommending a co-manager pool of twelve (12) firms on a rotating basis. Co-managers assist the senior underwriters in the sales effort. Recommendation for composition of the co-manager pool includes Bank of America Merrill Lynch, Jefferies LLC, Barclays, Raymond James Financial, Inc., Samuel A. Ramirez & Co., Inc., Roosevelt & Cross Incorporated, Fidelity Investments, Loop Capital Markets, George K. Baum & Company, Janney Montgomery Scott LLC, Hilltop Securities Inc., and Oppenheimer.

A brief discussion followed. Chairman Restinas inquired if any of the firms are minority owned and suggested that in future when staff is preparing the comparison chart that it include a line stating if the firm is minority owned or has veteran affiliations. Ms. Lachapelle verified that the firm of Ramirez & Company is minority owned.

Ms. Fields applauded staff for their analysis of the firms and said that she received two unsolicited calls from sister HFAs commending the firm of RBC Capital Markets, LLC for their creativity and expertise.

Upon a motion made by Chairman Restinas and seconded by Committee Chairperson Balasco, the Committee voted to recommend for approval the appointment of co-senior managing underwriters and a co-manager pool of underwriters as set forth above to the Board of Commissioners.

4. Recommendation for Approval of Merit Increase for Employees at Maximum of Salary Range

Ms. Fields made this presentation and reviewed the reasoning behind the request for this one-time employee merit increase.

Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) has seventeen (17) salary ranges that cover approximately one hundred (100) job classifications. Salaries are set within the salary range for the job classification grade for each position. Rhode Island Housing generally adjusts the salary ranges every other year. However, the last adjustment to the salary ranges was in January 2012. In February, Rhode Island Housing engaged a compensation consultant to conduct a comprehensive review of Rhode Island Housing’s job classification structure and salary ranges, and to ensure that employment positions at Rhode Island Housing are competitive in the public and private sectors. Rhode Island Housing expects the compensation review to be completed in the fall of 2016, and any salary range adjustments to be presented to the Board of Commissioners for approval.

Rhode Island Housing’s salary structure allows employees to be rewarded for performance and skill development while controlling overall base salary cost by providing a cap on the range paid for particular job classifications. Rhode Island Housing typically provides periodic, merit-based salary adjustments to eligible employees. These merit-based increases are provided to employees within the salary ranges based on annual adjustments to the overall budget. Merit-based increases have averaged between 2.5% to 3% per year since 2012. Under Rhode Island Housing’s salary structure, once an employee reaches the maximum of his or her salary range, the employee is no longer eligible for a salary increase. Several Rhode Island Housing employees have reached their salary range maximum. The executive staff believes that (i) valuable employees should not be precluded from receiving merit-based salary increases because of salary range caps and (ii) a salary freeze could negatively affect the morale of those employees at the maximum of their salary range.

As Rhode Island Housing awaits the results of the compensation review, the executive staff proposes that employees situated at the maximum of their salary range be eligible to receive a one-time (retroactive to July 1), merit-based salary increase of three percent (3%), which will ensure internal compensation equity and allow employees to be recognized for quality job performance.

Upon a motion made by Chairman Retsinas and seconded by Committee Chairperson Balasco the Committee voted that the Merit Increase for Employees at Maximum of Salary Range be recommended to the Board of Commissioners.

5. Recommendation for Approval to Provide Mortgage Loan Sub-Servicing and Document Custodian Services to HFA Lender

Ms. McKnight initiated this agenda item and Jay Guthin, Assistant Director of Loan Servicing and Asset Management delivered a PowerPoint presentation on the benefits of Rhode Island Housing servicing Maine Housing’s mortgage loan portfolio (the “Maine Housing Portfolio”).

In May, 2016, Maine Housing asked Rhode Island Housing to consider sub-servicing the Maine Housing Portfolio on its behalf. The Maine Housing Portfolio consists of approximately 7,300

loans secured by liens on single and multi-family homes, condominium units, and mobile homes located throughout the State of Maine.

Maine Housing has provided Rhode Island Housing with a Sub-Servicing Scope of Work, which sets forth general and default-related servicing responsibilities and compliance requirements, including information such as: (i) the Maine Housing Portfolio's size and make-up; (ii) the delinquency rates of the loans that comprise the Maine Housing Portfolio; and (iii) the geographic distribution of the Maine Housing Portfolio's collateral.

In evaluating Maine Housing's request and developing its sub-servicing pricing proposal, Rhode Island Housing staff:

- Reviewed its existing contracts with those vendors whose services would be utilized in the sub-servicing of the Maine Housing Portfolio and discussed the potential implications of the agreement with those vendors;
- Consulted with legal counsel regarding Maine's loan servicing and foreclosure laws and regulations, and employment laws specific to the state of Maine; and
- Researched industry-standard sub-servicing pricing, costs, and fees.

Rhode Island Housing's responsibilities under the agreement will include, but are not limited to:

- Collecting Maine Housing customers' monthly mortgage payments and remittance of those payments to Maine Housing;
- Providing requisite state and federal notices and other documents such as tax reports and payoff statements to Maine Housing's customers;
- Performing escrow administration functions and the monitoring and maintenance of insurance coverage on the properties that constitute Maine Housing Portfolio's collateral;
- Reporting of loan-level data to credit reporting bureaus, responding to customer inquiries, and resolving reporting disputes; and
- Serving as Maine Housing's document custodian.

In entering into this sub-servicing arrangement with Maine Housing, Rhode Island Housing will need to hire additional staff in the Loan Servicing and Asset Management Division. Senior management recommends hiring six (6) full-time employees (FTE). The additional staffing will permit Rhode Island Housing to properly transfer, implement and sub-service the Maine Housing Portfolio.

Ms. McKnight requested that Rhode Island Housing authorize and approve (i) providing mortgage loan sub-servicing and document custodian services to Maine Housing, (ii) entering into a Sub-Servicing Agreement with Maine Housing, and (iii) adding six (6) FTE to the Loan Servicing and Asset Management Division.

A discussion followed the presentation. The Commissioners asked if the agency proposes a flat fee on all loans. Ms. McKnight stated that presently the contract has a monthly flat fee on all

performing loans. However, the contract is for three (3) years and staff will review profitability and revisit, if needed, pricing for the sub-servicing.

Mr. Guthin stressed that staff had done intensive due diligence for this venture. They conferred with outside counsel regarding the consequences associated with the authority to do business out of state along with legal issues involved with the employment laws and the authorization of registering a DBA for the sub-servicing department. The legal department met with outside counsel and explored all the variables associated with the contracts, the laws and authorizations needed to establish this new business arrangement.

Staff has also met with Black Knight to confirm that Rhode Island Housing has the software capability to support the addition of the Maine Housing portfolio. Black Knight affirmed that their system has the capability to perform the needed functions.

Chairman Retsinas noted that a great deal of emphasis is placed on adhering to guidelines. He asked if Rhode Island Housing had reviewed those guidelines. Ms. McKnight responded that she has reviewed a white paper on industry standards long with what FHA requires for transparency standards.

Chairman Retsinas then requested that a six (6) month evaluation of the program be presented to the Board of Commissioners. Ms. McKnight assured the Committee that a six (6) month progress report would be provided to the Board of Commissioners.

Committee Chairperson Balasco commended and stated that this endeavor is a tribute to Ms. McKnight's team and speaks to the Board's confidence in Rhode Island Housing's strategy for expanding into this new business relationship.

Upon a motion made by Chairman Retsinas and seconded by Committee Chairperson Balasco, the Committee unanimously voted to recommend Approval to Provide Mortgage Loan Sub-Servicing and Document Custodian Services to HFA Lender to the Board of Commissioners.

6. A. Discussion and Update of the CoC Program.

Ms. Fields thanked Chairman Retsinas for attending the CoC Board meeting and for his constant support and encouragement.

Ms. Ventura then provided an update on the CoC Program.

Rhode Island was awarded \$5.2 million in under the 1407 competitive round. There are 34 sub-recipient grants funded under the 1407 program year. In order to requisition funds under the 1407 program year, each sub-recipient is required to submit a fully executed agreement and grant project profile. All sub-recipients have submitted a fully executed agreement and grant project profile. Staff has received 428 invoices and has processed 310 invoices totaling \$2,570,598.

Ms. Ventura stated that HUD announced its Tier II awards in April. Rhode Island received a total of \$5.9 million in CoC funding under the 1506 competition for 43 grants. HUD has advised that contracts will be released in August.

Additionally, HUD and DEC staff conducted a monitoring of the CoC in May. The two week monitoring involved review of fiscal year 2012 participant files and fiscal years 13-14 financial records. An on-site review of the CoC HMIS system was conducted on June 29th. An exit conference has been scheduled for August 23rd.

Finally, Ms. Ventura noted that Operation Stand Down (“OSD”) has requested to contract directly with HUD. The CoC Board of Directors and the Housing Resources Commission has approved the request. Documentation of the approvals has been provided to HUD and OSD will contract with HUD for the 1506 program year.

Ms. Fields expressed her appreciation to Claribel Shavers for the changes attained in her department under her direction.

There were no votes taken regarding this item.

B. Discussion and Update of the HOME Program

Ms. Fields was happy to report that on July 29th, official notice was received from HUD that the OIG audit is officially closed.

Ms. Fields also mentioned that on June 28th, HUD issued a monitoring report of Rhode Island Housing’s HOME Investment Partnership Program. The monitoring sample includes 14 projects, 5 projects were previously reviewed by the OIG. Staff is drafting a response to the monitoring report.

There were no votes taken regarding this item.

There being no further business, upon a motion made by Committee Chairperson Balasco and seconded by Commissioner Designee Marr, the meeting was adjourned at 2:48 pm.

Respectfully submitted,

Barbara Fields, Secretary