MINUTES OF THE
35TH MEETING OF THE
NEW YORK STATE AFFORDBLE HOUSING CORPORATION
GOVERNANCE COMMITTEE
HELD ON TUESDAY, JUNE 10, 2014 AT 9:03 A.M.
AT ITS OFFICES AT
641 LEXINGTON AVENUE
NEW YORK, NY 10022

MEMBERS AND DESIGNEES

PRESENT:

Steven J. Weiss	Committee Chairman (via videoconference)
Elaine McCann	New York State Division of the Budget, Representing Robert Megna, Member (via videoconference)
Darryl C. Towns	Member

Commissioner Darryl C. Towns presided over the meeting.

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies, acted as Secretary. He noted that the Housing Finance Agency ("HFA") and the New York State Affordable Housing Corporation ("AHC") Governance Committee Chairman, Mr. Steven J. Weiss, is attending the meeting from the Agencies' Buffalo Regional Office at Electric Tower, 535 Washington Street, Suite 105; he also noted that Ms. Elaine McCann is attending the meeting via videoconference from the New York State Division of Budget conference center at the Capitol Building, Room 131, in Albany; and that Ms. Marge Rogatz is attending via videoconference from the office of Expedia at 325 Duffy Avenue, Hicksville, NY. A public notice was given of the time and location of the venues in accordance with the New York State Open Meetings Law.

Mr. Kim asked for motions and seconds to call the Governance Committee meetings to order of the New York State Housing Finance Agency (HFA) and the New York State Affordable Housing Corporation (AHC); and the State of New York Mortgage Agency (SONYMA). Mr. Weiss moved to call the HFA and AHC meetings to order; Ms. McCann seconded the motion. Ms. McCann moved to call the SONYMA meeting to order; Ms. Rogatz seconded the motion.

Mr. Kim reported that Steven J. Weiss is the Governance Committee Chairman for the New York Housing Finance Agency and the New York State Affordable Housing Corporation; Don Lebowitz was the SONYMA Governance Committee Chair. Currently, the Committee has no Chair, pending the naming of a replacement for Mr. Lebowitz. Mr. Kim said that for purposes of convenience and to make sure the meetings of the respective agencies go smoothly, items shared by one or more of the agencies will be presented by Commissioner Towns.

The meetings of the Governance Committees of the affiliated agencies were opened in joint session for the consideration of various matters of shared importance. These minutes reflect only those items being considered by the Members of the New York State Affordable Housing Corporation (HFA). A record of items considered by the Governance Committees of the other affiliated agencies is contained in the minutes of each Committee respectively.

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The first item on the agenda was the adoption of the minutes of the New York State Affordable Housing Corporation (AHC) 34th Governance Committee meeting held on April 8, 2014. Absent comments or corrections from the Members, the minutes were deemed approved.

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The next item on the agenda was a resolution reviewing and approving various contracts monitored by the Accounting Department relating to Payroll Processing Services, Independent Audit Services, GASB 45 Consultant Services and Administration Services for the Agencies' Qualified Transportation Expenses Benefit Plan. This was a consent item and it was noted that there would be no discussion unless the Directors so desire. It was noted that information in connection with this item was contained in the materials provided to the Directors, which materials are incorporated herein by reference.

Considering the first and second motions previously entered, the motions were carried and the following resolution was adopted unanimously.

A RESOLUTION OF THE GOVERNANCE COMMITTEES OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY AND THE NEW YORK STATE AFFORDBLE HOUSING CORPORATION AUTHORIZING APPROVAL OF CONTRACTS FOR ADMINISTRATIVE SERVICES OF THE QUALIFIED TRANSPORTATION EXPENSE BENEFIT PLAN AND PAYROLL PROCESSING SERVICES.

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The next item on the agenda was an information session in connection with governance issues, particularly relating to the impact of Dodd Frank and other federal legislation on agency affairs.

Mr. Alejandro J. Valella, Vice President and Deputy Counsel of the Agencies provided a presentation which was in response to the Governance Committee Directors' request to learn more about the Dodd-Frank Act and its impact on the Agencies. Mr. Valella said that a more detailed memo was provided to Committee members which outlined the eight final rules, introduced by the Consumer Finance Protection Bureau ("CFPB"), concerning mortgage markets in the United States pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act

Mr. Valella reported that as it relates to the Agencies, the impact of Dodd-Frank covers four (4) areas:

1. The CFPB amended Regulation Z, which implements the Truth in Lending Act (TILA). Regulation Z currently prohibits a creditor from making a higher-priced mortgage loan without regard to the consumer's ability to repay the loan. The final rule implements Sections 1411 and 1412 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), which generally require creditors to make a reasonable, good faith determination of a consumer's ability to repay ("ATR") any consumer credit transaction secured by a dwelling (excluding an open-end credit plan, timeshare plan, reverse mortgage, or temporary loan) and establish certain protections from liability under this requirement for "Qualified Mortgages."

   Mr. Valella stated that housing finance agencies ("HFAs"), as a group, adamantly argued that they should receive an exemption from this rule as the housing finance agencies had not been involved in the issues that led to the implementation of the Dodd-Frank Act. The CFPB consequently established a rule to exempt HFAs from the ATR rule, and goes to great lengths to point out the main argument of "how responsible and strict HFAs have been and continue to be in providing mortgages to first time homeowners."

2. Mr. Valella said that the Dodd-Frank Credit Risk Retention framework (with the qualified mortgage provisions established under the CFPB ATR rule) requires securitizes (single family homes) to retain at least 5 percent of the credit risk of the assets collateralizing asset-backed securities. Mr. Valella reported that the community of HFAs asked to be exempt from this rule and that again this exclusion was granted.

3. High-Cost Mortgage (Regulation Z)

   Mr. Valella said that the CFPB issued this final rule to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act's amendments to the Truth in Lending Act and the Real Estate Settlement Procedures Act. The final rule amends Regulation Z (Truth in Lending Act) by expanding the types of mortgage loans that are subject to the protections of the Home Ownership and Equity Protections Act of 1994 (HOEPA), etc.

   Mr. Valella noted that typically SONYMA-financed loans would not fall in this category but that in some situations, when the market is very low, SONYMA loans may be classified as high-cost loans. In these rare instances, Mr. Valella explained, SONYMA has and will continue to correct the problem by lowering the rate. .

4. Mortgage Loan Servicing Rules - Regulation Z final rule implements Dodd-Frank Act sections addressing initial rate adjustment notices for adjustable-rate mortgages, periodic statements for residential mortgage loans, prompt crediting of mortgage payments, and responses to requests for payoff amounts, all dealing with servicing of mortgage loans, Mr. Valella noted. This final rule also amends current rules governing the scope, timing, content, and format of disclosures to consumers regarding the interest rate adjustments of their variable-rate transactions.

Mr. Valella reported that HFAs are exempted from most of the servicing rules.

Mr. Valella concluded his presentation by stating that a number of the new requirements have not been applied to the HFAs and would have imposed administrative burdens to the Agencies and affected interactions with service providers. He attributed the number of exemptions afforded to "a great deal of lobbying by agencies." He noted that these rules were created to address a problem that really never surfaced in agencies such as The New York State Division of Homes and Community Renewal and through SONYMA has always had responsible lending programs.

HFA/AHC Committee Member Commissioner Mattox asked Mr. Valella to elaborate on the successful lobbying effort. Mr. Valella reported that The National Council of State Housing Agencies (NCSHA), a nonprofit organization created by the nation's state Housing Finance Agencies (HFAs) more than 30 years ago to coordinate and leverage their federal advocacy efforts for affordable housing, was the lead organization that lobbied (in the form of papers, letters, comments and the like) the Federal Government during the rule-making process. He said, for example, when the Municipal Advisor rules first came out, they included Board members as municipal advisors. Mr. Valella said the Agencies as well as NCSHA conducted an extensive comment campaign to fight that particular rule, which turned out to be successful.

Mr. Valella noted that in connection with this rule dealing with municipal advisors there were additional developments, apart from the success in exempting board members from the definition of municipal advisor. He explained that the rule now requires registration of "municipal advisors" and makes changes regarding the regulation of municipal securities. He explained that the municipal advisory rule has been postponed until July 2014, but noted that the rule requires that in order for a municipal advisor to provide advice with respect to a municipal product, they need to be licensed and registered and will now have a fiduciary duty to the entities they advise.

Mr. Valella explained that investment bankers who routinely contact HFAs with proposals for bond issuances and therefore provide "advice" as defined under the municipal advisor rule, are exempted from registering as municipal advisors, but the exemption is based on agencies identifying entities, to be known as IRMAs (independent registered municipal advisors) who will advise the agencies in connection with proposals from bankers. Mr. Valella noted that the Legal Department and Debt Issuance are in the process of identifying IRMAs and will update the Committee as that process is finalized.

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There being no unfinished business Mr. Towns moved to adjourn; Mr. Weiss seconded the motion and the meeting was adjourned at 9:26 a.m.

Mr. Kim announced that the next Governance Committee meeting would be held on Tuesday, September 9, 2014 at 9:00 a.m.

C. Jason Kim, Secretary