

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON OCTOBER 6, 2011 AT 1:38 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

Karen A. Phillips	Vice Chairperson
Naomi Bayer	Director
Don Lebowitz	Director
David J. Sweet	Director
Darryl C. Towns	Director
Meghan Anderson	Division of the Budget, representing Robert Megna, Director (via video conference)

ABSENT:

Marge Rogatz	Director
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Vice Chairperson Phillips chaired the meeting; Alejandro J. Valella, Vice President and Deputy Counsel, acted as secretary. The meetings of the Affiliated Agencies opened in joint session for consideration of matters of shared importance. These minutes reflect only those items being considered by the Directors of the State of New York Mortgage Agency. A record of items considered by other Agencies is contained in the minutes of each Agency respectively.

The first item on the agenda was the President's Report. Commissioner Towns thanked Vice Chairperson Phillips for her work as the acting chair and noted her work in helping the Agencies accomplish their mission. He then acknowledged the recent flooding in New York and mentioned that this could lead to the Agencies receiving new resources to help alleviate the crisis. He then mentioned the Agencies growing emphasis on economic development and stated the Agencies are focused on finishing the year strong. He concluded by saying that the Agencies are preparing to be even more active next year.

The next item on the agenda was the report of the Mortgage Insurance Committee. Vice Chairperson Phillips reported that the Mortgage Insurance Committee had approved the minutes of its September 15, 2011 meeting and had passed resolutions approving mortgage insurance for the following projects:

- 100% mortgage insurance for Towpath Senior Apartments, 201-250 Canal Street, Village of Palmyra, Wayne County;
- 100% mortgage insurance for Village Square Senior Apartments, 250 Hamilton Street, Painter Post, Steuben County;
- 100% mortgage insurance for Gateway Gardens Apartments, 1-A Lowndes Avenue, Huntington Station, Suffolk County;
- 100% mortgage insurance for Bradmar Village Apartments, 200 Martin Road, Jamestown, Chautauqua County;
- 100% mortgage insurance for Wartburg Marie Heins Senior Apartments, 55 Bradley Avenue, Mount Vernon, Westchester County;
- 50% mortgage insurance for Dayton Towers, 7400 Shore Front Parkway, et al, Rockaway Beach, Queens County; and
- 100% mortgage insurance for 30 Park Place, Lynbrook, Nassau County.

Vice Chairperson Phillips acknowledged the geographic diversity in these projects. She then thanked the staff of the Mortgage Insurance Fund for their work on this issue.

The next item on the agenda was the approval of the minutes of the Board meeting held on October 6th 2011. There were no objections or corrections by the Directors therefore the minutes were deemed approved.

The next item on the agenda was a resolution approving 50% mortgage insurance on a \$36,865,000 New York City Housing Development Corporation permanent first mortgage loan for the rehabilitation of Dayton Towers, Queens County. This item had been approved by the Mortgage Insurance Committee earlier in the day. Michael Friedman, the Senior Vice President and Director of the Mortgage Insurance Fund, made himself available to discuss any further issues. There were no questions or comments from the Directors in connection with this item.

Naomi Bayer moved to adopt the resolution; Don Lebowitz seconded the motion; and the following resolution was adopted unanimously:

A RESOLUTION OF THE STATE OF NEW YORK MORTGAGE AGENCY APPROVING MORTGAGE INSURANCE AND A COMMITMENT FOR THE PROVISION THEREOF FOR DAYTON TOWERS, 7400 SHORE FRONT PARKWAY, ET AL, ROCKAWAY BEACH, QUEENS COUNTY.

At this point, Vice Chairperson Phillips called to order the 6th Finance and Program Committee meeting of the State of New York Mortgage to be held jointly with the Board meeting for consideration of the next item.

The next item on the agenda was a resolution authorizing the issuance of bonds. Ms. Marian Zucker, President of the Office of Finance and Development, presented on this item. She outlined that at last month's meeting the Directors' authorized the issuance of up to \$500 million of bonds for the upcoming year and that today she was requesting their specific authorization to do an economic refunding transaction that would also include a new money component to acquire loans on the Agency's warehousing pipeline. The transaction is expected to include a combination of:

- taxable or tax-exempt economic refunding bonds not to exceed \$221,225,000;
- taxable or tax-exempt economic refunding bonds in an amount not to exceed \$10,695,000 to refund certain outstanding variable rate bonds; and
- new money and replacement refunding bonds not to exceed \$85 million.

Ms. Zucker explained that this issuance would result in a net present value savings to SONYMA, bring down SONYMA's variable rate exposure, as well as allow SONYMA to acquire more mortgages. She also discussed that the resolution would provide SONYMA some flexibility in determining whether to issue bonds as tax-exempt or taxable. It is anticipated that this deal will be brought to market in November 2011.

David Sweet moved to adopt the resolution; Don Lebowitz seconded the motion; and the following resolution was adopted unanimously by the Directors:

A RESOLUTION OF THE STATE OF NEW YORK MORTGAGE AGENCY APPROVING AN ISSUANCE OF BONDS.

At this point, Vice Chairperson Phillips concluded the SONYMA Program and Finance Committee meeting.

The next item on the agenda was a presentation on SONYMA's Single Family Programs. The following staff from the Agencies helped present on this item:

- Marian Zucker, President of the Office of Finance and Development;
- Joanne Hounsell, Senior Vice President and Interim Chief Financial Officer;
- George Leocata, Senior Vice President of SONYMA Single Family Programs; and
- Genevieve D'Agostino, Senior Vice President and Treasurer.

Ms. Zucker started the presentation by describing the state of the housing market. She then explained that the New Issue Bond Program permitted SONYMA to operate "almost close to normal" despite the state of the housing market. She noted that the New Issue Bond Program is fully exhausted and that SONYMA's interest rates are relatively higher than they have been historically, since SONYMA's access to the capital market is

no longer a function of the New Issue Bond Program, but is instead dependent on the conventional bond market. She then outlined some of the SONMYA policy decisions that SONMYA will be looking to analyze in the upcoming months, including exploring conventional financing as well as refinancing programs and first-time home buyer programs. These discussions will likely be formally brought before the Directors in the future.

HFA Board Member Thomas Mattox asked about the significant risks associated with conventional financing. Ms. Zucker responded that the financial risk is that SONMYA makes a commitment to deliver securities and then is unable to get the loan originations to make the securities delivery.

Naomi Bayer encouraged SONMYA to direct its services to help where the housing market is not functioning. Commissioner Towns agreed that this was an important conversation to have. HFA Board Member Royce Mulholland suggested looking at underwater mortgages. Naomi Bayer then suggested looking beyond just down payment assistance. There was consensus that this conversation should be continued through a subcommittee.

Ms. Zucker then moved into a conversation on the mortgage insurance industry. She outlined that SONMYA gets mortgage insurance when the loan-to-value ratio exceeds 80%. She then discussed that mortgage insurers have been downgraded, including SONMYA's main insurer Genworth. She stated that Genworth is below investment grade, which affects the credit rating attached to SONMYA's issuances. However, she stressed that mortgage insurance is just one factor used to determine the credit rating. The credit rating agencies have noted SONMYA's low-default rates, reserve requirements, and sophisticated staff in determining credit ratings. She noted though that SONMYA has a strong relationship with Genworth and that Genworth's insurance uniquely covers principal and interest payments in the event of mortgage losses. She noted that despite Genworth's rating difficulties, the Agency had not suffered losses on loans insured by Genworth. She then discussed the ongoing conversations with Genworth, which relate to Genworth providing additional coverage to help improve credit ratings for SONMYA's issuances.

Naomi Bayer asked whether Genworth was providing additional coverage to other issuers. Ms. Zucker and George Leocata responded that Genworth was not. Ms. Zucker stated that the staff will continue to monitor the mortgage insurance industry.

Ms. Zucker then introduced the final discussion point, which related to liquidity providers. Genevieve D'Agostino then outlined that SONMYA has approximately \$605 million of bonds remarketed in weekly and daily mode. She explained that about \$445 million of these bonds are secured with Dexia as the liquidity provider. She then outlined Dexia's financial concerns and the deteriorating performance associated with Dexia-backed bonds. Next, Ms. D'Agostino discussed the measures SONMYA is taking to replace Dexia-backed bonds and reducing the amount of variable rate debt in SONMYA's portfolio. SONMYA earlier this summer, in advance of Dexia's current

ratings woes, solicited through an RFP process the services of replacement standby bond purchase agreement providers, and plans on replacing Dexia in its portfolio by the middle of December.

Naomi Bayer asked generally who the borrowers are in SONYMA's Single Family Programs. Mr. Leocata responded that most borrowers are of lower income and from downstate New York. Ms. Bayer stated it would be helpful to get some background on the program trends; for instance, she stated it would be helpful to get an analysis of how the portfolio has changed over the last couple years.

David Sweet asked for clarification on the certainty that SONMYA would replace Dexia by the middle of December. Ms. D'Agostino stated that SONYMA had commitments, that notices were being sent out, and that the transactional documents had been drafted and were being negotiated. Ms. Zucker stated that the transaction would soon be submitted to the credit rating agencies.

Vice Chairperson Phillips asked if the Directors had any other questions. Don Lebowitz then complimented the staff for bringing the Dexia issue to the Directors many months ago.

There being no unfinished business, Ms. Bayer moved to adjourn the meeting; Mr. Lebowitz seconded the motion; and the meeting was adjourned at 2:10 p.m.



Secretary