

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON JULY 14, 2011 AT 2:29 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

Karen A. Phillips	Vice Chairperson
Don Lebowitz	Director
Marge Rogatz	Director
David J. Sweet	Director
Darryl C. Towns	Director
Elaine McCann	Division of the Budget, representing Robert Megna, Director (via video conference)

ABSENT:

Naomi Bayer	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 State of New York Mortgage Agency. A record of items considered by other Agencies is contained in the minutes of each Agency respectively.

Thomas Mattox, Steven Weiss, and Royce Mulholland, Members of the New York State Housing Finance Agency ("HFA") and the New York State Affordable Housing Corporation ("AHC"), attended the meeting as guests.

The first item on the agenda was the President's Report. Darryl Towns stated it was an active time at the Agencies and DHCR. He described the recent state legislative session as positive and highlighted the additional tenant protections created as a result of extending the rent laws. He also discussed the expected announcement of state regional

economic development councils, which will relate to affordable housing issues. Mr. Towns concluded by stating it will be a busy summer at the Agencies as they continue to work to make sure New Yorkers get access to affordable, quality housing.

The next item on the agenda was the approval of the minutes of the Board meeting held on June 14, 2011. There were no objections or corrections by the Directors therefore the minutes were deemed approved.

The next item on the agenda was the report of the Mortgage Insurance Committee. Vice Chairperson Phillips reported that the MIC had approved the minutes of its June 14, 2011 meeting and had passed resolutions approving 100% mortgage insurance for the following projects:

- Heritage Homes, Brook Street and Winthrop Avenue, New Rochelle, Westchester County;
- North Country Rural Apartments, located on scattered sites throughout Jefferson, St. Lawrence, and Franklin Counties;
- 23-18 41st Avenue, Long Island City, Queens County;
- Wood Creek Apartments, 23 Wood Creek Drive, Rome, Oneida County; and
- 735-765 and 816-822 Prospect Avenue, New Cassel, Nassau County.

The next item on the agenda was a resolution authorizing the appointment of Michael A. Skrebutenas as Chief Operating Officer for the Affiliated Agencies. This item was tabled for discussion at a later meeting.

The next item on the agenda was a presentation by Mike Newman of the New York State Office of Mental Health. Mike Newman is the Director of the Housing Services Unit at OMH. He was accompanied by James P. Lupoli, Assistant Director at OMH. Vice Chairperson Phillips thanked Mr. Newman for coming and stated that the Directors had asked for this presentation. Michael Friedman, the Senior Vice President and Director of the Mortgage Insurance Fund, introduced Mr. Newman and Mr. Lupoli. Mr. Friedman stated that the Mortgage Insurance Fund has about \$150 million of exposure to OMH financing.

Mr. Newman began his presentation by providing a hand-out to the Directors. He described OMH as primarily a social-service agency, and followed up by discussing the history of OMH's involvement in affordable housing development. His presentation touched on how state appropriations and tax credit programs have helped OMH develop affordable housing units throughout the state, often in partnership with other organizations. He also stated OMH funds about 34,000 units of affordable housing on an annual basis and that most of these units are operated by not-for-profits where OMH has approved funding. He noted that most rental units are provided to individuals on Supplemental Security Income (SSI). He emphasized that OMH has a strong history of living up to its financial commitments and that they are subject to a lot of regulatory oversight.

Steven Weiss asked how OMH could consolidate its housing services with other state affordable housing agencies. Mr. Newman stated he was open to working with other agencies, but he worried that if OMH were to consolidate these services then there likely would not be as many resources dedicated to creating housing for the mentally ill because affordable housing resources are in such high demand.

Marge Rogatz recognized the great work OMH and their partner not-for-profits are doing. However, she then expressed concern over the ability of OMH to develop the housing projects in its "pipeline." Mr. Newman acknowledged that this was a legitimate concern given OMH's "frozen appropriations" as a result of state fiscal issues. Ms. Rogatz followed up by asking whether SONYMA's concerns are protected given that it has some projects in OMH's pipeline. Mr. Newman responded that SONYMA's concerns are protected because OMH has the operating money to cover what is in its current pipeline. Mr. Lupoli added that OMH's frozen appropriations only affect projects not in its pipeline. He described the non-pipeline projects as projects that are not "shovel ready."

David Sweet inquired whether there was a state constitutional provision or state statute that mandated that OMH be provided state appropriations. Mr. Newman responded that he believed there was a constitutional requirement to provide for those that cannot provide for themselves, but noted that this was a complicated legal subject, and that he is not an attorney.

Royce Mulholland inquired whether OMH had sufficient reserves to cover unforeseen expenses that might arise in its housing projects. Mr. Mulholland's question was aimed at addressing whether OMH had the reserves to cover a "broken boiler" or an increase in insurance premiums. Mr. Newman responded the OMH had sufficient reserves. He stated OMH funds reserves in accordance with HUD requirements. He also stated OMH has state appropriations reserved to help relocate its tenants in the event of an unforeseen event. Mr. Mulholland then asked whether OMH tries to integrate the mentally ill with others in community housing or whether OMH tries to keep these tenants congregated amongst themselves. Mr. Lupoli stated that the industry has changed and now there is a movement to move the mentally ill into "integrated" housing.

Don Lebowitz stated that OMH deals were uniquely underwritten based on the assumption that state appropriations would always exist to service the outstanding debt. Mr. Lebowitz then explained the significance of whether OMH appropriations were mandated by the state constitution or state statute. He emphasized SONYMA would be more comfortable if the appropriations were mandated by the state constitution because then the state legislature could not easily eliminate the appropriation funding. He then stated that as a Director he had an obligation to ask about OMH's appropriations particularly since the MIF has some concentrated risk in OHM financed housing projects. Finally, he asked whether there was a court mandate to provide appropriations to OMH. Mr. Friedman responded that there is case law from the New York Court of Appeals. Mr. Lebowitz then asked whether OMH could get an attorney to opine on this appropriations issue. Mr. Friedman responded that the New York State Attorney General's Office

would be the best place to get such an opinion. Mr. Newman then added that the state government generally wants to fund OMH because without funding there would be an increase in homelessness. He also added that the housing projects that OMH develops also qualify as affordable housing, and that therefore its projects have an alternative use. When Director Lebowitz asked whether this "alternative use" should be factored into the underwriting analysis, Mr. Friedman responded that OMH's housing projects could support less debt as ordinary affordable housing projects.

Elaine McCann then asked whether OMH could uphold its commitments at its operating housing developments without more state appropriations. Mr. Newman responded that OMH could uphold its current commitments, but that it could not commit to additional future projects without continued state appropriations.

Ms. Rogatz and Vice Chairperson Phillips then acknowledged the helpful role that OMH plays in uplifting communities. Vice Chairperson Phillips expressed concern about the over-saturation of mentally ill supportive housing in certain communities. Mr. Newman responded that over-saturation is always considered by OMH in its housing projects.

Steven Weiss closed the discussion by asking OMH to consider how it could consolidate with other affordable housing agencies. Vice Chairperson Phillips thanked the OMH staff for their presentation.

The next item on the agenda was a resolution approving 100% mortgage insurance on a \$16,490,000 HFA permanent first mortgage loan for the construction of Heritage Homes, Brook Street and Winthrop Avenue, New Rochelle, Westchester County. This item had been approved by the Mortgage Insurance Committee earlier in the day. Mr. Friedman made himself available to discuss any further issues. There were no questions or comments from the Directors in connection with this item. David Sweet recused himself from the vote.

Vice Chairperson Phillips moved to adopt the resolution; Darryl Towns seconded the motion; and the following resolution was adopted, with Director Sweet recusing himself:

A RESOLUTION OF THE STATE OF NEW YORK MORTGAGE AGENCY APPROVING MORTGAGE INSURANCE AND A COMMITMENT FOR THE PROVISION THEREOF FOR HERITAGE HOMES, WESTCHESTER COUNTY.

The next item on the agenda was a resolution approving 100% mortgage insurance on a \$7,100,000 HFA permanent first mortgage loan for the rehabilitation of North Country Rural Apartments located on scattered sites, Jefferson, St. Lawrence, and Franklin Counties. This item had been approved by the Mortgage Insurance Committee earlier in the day. Mr. Friedman made himself available to discuss

any further issues. There were no questions or comments from the Directors in connection with this item.

Vice Chairperson Phillips moved to adopt the resolution; Darryl Towns 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 NORTH COUNTRY RURAL APARTMENTS, EIGHT SCATTERED SITE PROJECTS LOCATED IN JEFFERSON, ST. LAWRENCE, AND FRANKLIN COUNTIES.

The next item on the agenda was a resolution approving 100% mortgage insurance on a \$17,791,400 Bank of America permanent first mortgage loan for the construction of 23-18 41st Avenue, Long Island City, Queens County. This item had been approved by the Mortgage Insurance Committee earlier in the day. Mr. Friedman made himself available to discuss any further issues. There were no questions or comments from the Directors in connection with this item.

Vice Chairperson Phillips moved to adopt the resolution; Darryl Towns 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 23-18 41ST AVENUE, LONG ISLAND CITY, QUEENS COUNTY.

The next item on the agenda was a resolution approving 100% mortgage insurance on a \$8,450,000 CPC permanent first mortgage loan for Wood Creek Apartments, 23 Wood Creek Drive, Rome, Oneida County. This item had been approved by the Mortgage Insurance Committee earlier in the day. Mr. Friedman made himself available to discuss any further issues. There were no questions or comments from the Directors in connection with this item.

Vice Chairperson Phillips moved to adopt the resolution; Darryl Towns 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 WOOD CREEK APARTMENTS, 23 WOOD CREEK DRIVE, ROME, ONEIDA COUNTY.

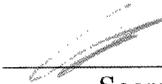
At this point, Vice Chairperson Phillips called to order the Finance and Program Committee of the State of New York Mortgage Agency to be held jointly with the Board meeting for consideration of the next item.

The next item on the agenda was a resolution approving the issuance of refunding bonds. Marian Zucker, President for the Office of Finance and Development, noted that the Directors' materials and the agenda reflected the plan to make an informational presentation on certain single family program issues. Ms. Zucker noted that she would deliver a shortened version of that presentation now, and that the complete presentation will be made at the next Board meeting. Originally, a PowerPoint presentation was prepared and slides of that presentation were provided to the Directors instead. Ms. Zucker then stated that the Finance Committee had been called to order to take up a proposal to issue refunding bonds. She noted that this proposal was directly related to the items included in the informational presentation. Ms. Zucker stated that the proposal is to issue fixed rate refunding bonds to refund floating rate bonds where Dexia is the liquidity provider. SONYMA has \$605 million in floating rate bonds remarketed in weekly and daily mode, of which \$485 million in liquidity is provided by Dexia. Dexia was previously downgraded by the rating agencies in 2009, but was stabilized by the French and Belgium governments. Ms. Zucker noted that Dexia is again facing troubles because it has exposure to the debt crisis in Greece. Ms. Zucker explained that SONYMA now seeks approval from the Finance Committee to issue refunding bonds to redeem previously issued variable rate bonds and thereby reduce the bonds that are outstanding where Dexia is the liquidity provider. Mr. Zucker stated this will result in a savings for the agency. Mr. Valella stated that while the Agency had approval to take this action, under a previously adopted Series Resolution, the Agency needed the Finance Committee to review all proposals for the issuance of debt, because of the Public Authorities Act of 2010. Ms. Zucker summarized the details of the proposed refunding issue, the details of which were contained in materials presented to the Finance Committee.

Vice Chairperson Phillips moved to adopt the resolution; Elaine McCann seconded the motion; and the following resolution was adopted unanimously:

**A RESOLUTION OF THE FINANCE AND PROGRAM
COMMITTEE OF THE STATE OF NEW YORK MORTGAGE
AGENCY RECOMMENDING AN ISSUANCE OF ECONOMIC
REFUNDING BONDS.**

There being no unfinished business, Vice Chairperson Phillips moved to adjourn the meeting; Darryl Towns seconded the motion; and the meeting was adjourned at 3:52 p.m.


Secretary