

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON SEPTEMBER 15, 2011 AT 2:59 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
Marge Rogatz	Director
David J. Sweet	Director
Darryl C. Towns	Director
Meghan Anderson	Division of the Budget, representing Robert Megna, Director (via video conference)

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 Members of the New York State Housing Finance 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 stated he wanted to hold his remarks because the meeting was beginning behind schedule since previous meetings took longer than expected.

The next item on the agenda was the report of the Audit Committee. Vice Chairperson Phillips reported that the Audit Committee had approved the minutes of the June 14, 2011 meeting, reviewed the Financial Update Statement 3rd Quarter Fiscal Year 2011 and reviewed the Auditor's (Ernst & Young) Presentation.

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 July 14, 2011 meeting and had passed resolutions approving 100% mortgage insurance for the following projects:

- HANAC Archbishop Iakovos Senior Apartments, 32-06 21st Street, Astoria, Queens County;
- Greenacres Apartments, 102 Wisteria Drive, Village of Fredonia, Chautauqua County, (Director Lebowitz voting against).
- John Crawford Apartments, 33 Liberty Street, Monticello, Sullivan County, (Director Lebowitz voting against).
- Burt Farms II Apartments, 97-105 Forester Avenue, Village of Warwick, Orange County, (Director Lebowitz voting against).
- PJ Housing Apartments, 230 Jersey Avenue, Port Jervis, Orange County, (Director Lebowitz voting against).
- The Pike Block, 300, 306-312, 320-324 Salina Street & 115 West Fayette Street, Syracuse, Onondaga County;
- 346 Connecticut Street, Buffalo, Erie County; and
- 479 Front Street and 16, 18, 33 Attorney Street, Hempstead, Nassau County.

The next item on the agenda was the approval of the minutes of the Board meeting held on July 14, 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 the Fiscal Year 2012 Administrative Budget and Financial Plans. Joanne Hounsell, Senior Vice President and Interim Chief Financial Officer, presented the Budget Plan. She first discussed that approval of the Budget Plan was required by statute, regulations, and various Agency resolutions.

Next, Ms. Hounsell summarized some of the key figures in the Budget Plan. She emphasized that the Budget Plan considered the uniqueness of each Agency. She then detailed the \$52.4 million Budget Plan, which represents a 3% budget decrease relative to fiscal year 2011. Her presentation detailed the following:

- The Agencies' largest expense is \$17.3 million for salaries. However, this allocation is the same as fiscal year 2011. Ms. Hounsell noted that the Agencies are budgeted for 221 positions and that 36 of these positions are currently vacant.
- The largest increase in this Budget Plan is the \$890,000 expense for the Early Retirement Incentive. This lump-sum expense was assessed as a result of 15 employees electing to participate in this program.

- The second largest increase relates to hiring consultants to help convert the Agencies' Database Management System. The Agencies need to convert the Database Management System because its current system, FoxPro, is no longer sold or supported by Microsoft. The Database Management System is used for the general ledger, mortgage billing, expenditure control, budgeting, investment, debt service and tax and insurance escrow functions.
- The third largest increase is an increase of \$420,000 in annual pension contributions. This increase is due to lower investment returns in the pension funds.
- Lastly, an additional increase is health insurance premiums, which the Agencies have budgeted an additional \$389,000 for.

Director Bayer asked about the impact of eliminating the workshop and training expense allocated in fiscal year 2011. Ms. Hounsell noted that the decrease related to the termination of the Agency's contract with NeighborWorks. Ms. Marian Zucker, President of the Office of Finance and Development, commented that the Agencies had been satisfied with the initial benefits from the contract, but that the benefits of the contract decreased over time.

Meghan Anderson then asked what was included in the \$17 million expense for salaries. Ms. Hounsell outlined that this figure included the expenses for budgeted positions and the lump-sum expense for the Early Retirement Incentive. Meghan Anderson then asked whether any portion of employee health insurance premiums were paid by the employees. Ms. Hounsell confirmed that the Agencies pay 100% of employee health insurance premiums.

Lastly, Director Lebowitz asked how the Early Retirement Incentive was affecting the Agencies. Ms. Hounsell said that senior management is currently evaluating the effect.

Director Bayer moved to adopt the resolution; Director Rogatz seconded the motion; and the following resolution was adopted unanimously:

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY, THE TOBACCO SETTLEMENT FINANCING CORPORATION AND THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION ADOPTING AN ADMINISTRATIVE BUDGET FOR FISCAL YEAR NOVEMBER 1, 2011 TO OCTOBER 31, 2012 AND

FINANCIAL PLANS FOR FISCAL YEARS 2012, 2013, 2014 AND 2015 WITH RESPECT TO THE NEW YORK STATE HOUSING

FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND THE TOBACCO SETTLEMENT FINANCING CORPORATION

The next item on the agenda was a resolution approving contracts with firms on the Agencies' prequalified panel of outside non-bond counsel law firms. Director Bayer moved to adopt the resolution; Director Rogatz seconded the motion with the recusal of Director Lebowitz and the following resolution was adopted:

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY AND THE STATE OF NEW YORK MORTGAGE AGENCY AUTHORIZING THE CONTINUATION OF CONTRACTS WITH FIRMS FOR THE PROVISION OF NON-BOND COUNSEL LEGAL SERVICES.

The next item on the agenda was a resolution approving the quarterly bond sale report for the periods ending April 30 and July 31, 2011. Mr. Kenneth Bialo, Vice Chairman of MBBA/TSFC complimented Marian Zucker and the staff that worked on the successful tobacco bond refunding. It was stated that this refunding resulted in a net present value savings of approximately \$18 million to New York State.

Director Bayer moved to adopt the resolution; Director Rogatz seconded the motion; and the following resolution was adopted unanimously:

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY AND THE TOBACCO SETTLEMENT FINANCING CORPORATION APPROVING THE AGENCIES' BOND SALE REPORTS.

The next item on the agenda was a resolution approving a contract for disaster recovery services. Meghan Anderson asked whether any of the state facilities had been explored as an option. Forrest Taylor responded that there was no space in the state facilities and that this contract would be for a hardened disaster recovery facility.

Director Bayer moved to adopt the resolution; Director Rogatz seconded the motion; and the following resolution was adopted unanimously:

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY AND THE STATE OF NEW YORK MORTGAGE AGENCY APPROVING THE ENTERING INTO A CONTRACT WITH Xand CORPORATION FOR DISASTER RECOVERY SERVICES.

The next items on the agenda were presented for informational purposes. Information with respect to each of these items was provided to the Directors in advance of the meeting, which information is incorporated herein by reference:

- **Review of the Agencies' Quarterly Investment Reports**

- **Report of the Administrative Budget as of July 31, 2011**
- **Financial Statement Update 3rd Quarter Fiscal Year 2011.**
- **Third Quarterly Procurement Contract Report for the period ending July 31, 2011.**
- **Financial Printer contract with ImageMaster, Inc.**
- **Master Goal Plan Update for 2011-2012.**

There were no questions from the Directors. However, Ms. Rogatz commented that she had reviewed the Master Goal Plan Update for 2011-2012 and thought that it was an excellent presentation. Ms. Rogatz then thanked Wanda Graham and her staff for their hard work.

The next item on the agenda was a presentation by Michael Lappin of the Community Preservation Corporation. Michael Lappin is the President & CEO of the Community Preservation Corporation. He was accompanied by John McCarthy, an Executive Vice President & Chief Operating Officer, and Oksana Gaber, an Assistant Vice President in the Servicing Division. Michael Friedman, the Senior Vice President and Director of the Mortgage Insurance Fund, introduced Mr. Lappin, who then introduced his staff and began the presentation.

Mr. Lappin began the presentation by providing background on the Community Preservation Corporation. He detailed the history of the organization and its relationship with the public pension funds of New York State and New York City. He then outlined CPC's relationship with SONYMA. He also highlighted CPC's loan performance by focusing on how rarely claims are paid out on its mortgages. He briefly described CPC's new green financing initiatives. He then turned to John McCarthy to discuss how CPC ensures performance on its loans.

Mr. McCarthy highlighted the strength of CPC's loan servicing operation. He described CPC's internal operations, which includes handling billing, maintaining escrow and insurance, and doing physical inspections. He stated that CPC's operations have recently received satisfactory reviews from both Freddie Mac and Fitch Ratings. He then discussed that CPC sustains relatively lower losses on its mortgage assets because it works out delinquencies internally as opposed to just handing these matters over to law firms. In summary, he stated CPC has a "robust" monitoring system that should make SONYMA confident in its operations.

Ms. Bayer stated that CPC has an excellent track record and made a remark on whether Agency staff should develop a review for analyzing lender servicing operations. She then asked whether CPC could comment on the financial stresses it is feeling as a result of single family mortgage losses. Mr. Lappin responded that CPC has taken

numerous actions to help absorb these losses. These actions included stopping CPC's "before sale loans" in September 2008, reducing staff, and closing offices in New Jersey. Mr. Lappin emphasized though that there have been no staff reductions in its servicing department.

Don Lebowitz asked what the Agencies could do to help lower CPC's lending rates. Mr. Lappin acknowledged that its lending rates could be improved, but then stated that its unique structure makes it difficult for CPC to quickly drop its rates. For instance, he highlighted that CPC's public pension fund investors lock in forward rates very far in advance.

Naomi Bayer then asked Mr. Lappin to comment on whether the public pension funds expressed any interest in ending their investment in CPC. Mr. Lappin responded that he felt confident about CPC's continued relationship with the public pension funds especially since their investment in CPC has yielded strong fixed income returns.

David Sweet inquired about any credit risks that CPC foresees. Mr. Lappin mentioned the general macroeconomic factors affecting government, but stated he was confident in CPC's loan portfolio considering that its properties are stable, have growing income, and have solid loan servicing.

Mr. Sweet then asked what SONYMA could do to further support CPC. Mr. Lappin stressed SONYMA could support CPC's renewed focus on private housing in low to moderate income areas. Mr. Lappin stated that CPC was strengthening its focus on these properties because it believes these properties are increasingly under stress. Don Lebowitz praised Mr. Lappin's comments and called them forward thinking. Marge Rogatz stated that most low to moderate income people actually live in private housing.

Lastly, Vice Chairperson Phillips asked how the Community Reinvestment Act has impacted CPC's operations. Although CPC was created before the CRA went into effect, Mr. Lappin suggested that the banks invest in CPC primarily because it has the expertise to work on complex deals with unsophisticated investors. Vice Chairperson Phillips thanked the CPC staff for their presentation.

The next item on the agenda was a resolution approving 100% mortgage insurance on a \$26,800,000 HFA permanent first mortgage loan for the rehabilitation of Phillips Village Apartments, Phillips Road, Webster, Monroe County. This item was withdrawn.

The next item on the agenda was a resolution approving 100% mortgage insurance on a \$9,250,000 HFA permanent first mortgage loan for the rehabilitation of HANAC Archbishop Iakovos Senior Apartments, 32-06 21st Street, Astoria, 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.

Director Bayer moved to adopt the resolution; Director Rogatz 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 HANAC ARCHBISHOP IAKOVOS SENIOR APARTMENTS, 32-06 21ST STREET, ASTORIA, QUEENS COUNTY.

The next item on the agenda was a resolution approving 100% mortgage insurance on a \$9,600,000 CPC permanent first mortgage loan for the construction of The Pike Block, 300, 306-312, 320-324 Salina St. & 115 W. Fayette St. Syracuse, Onondaga 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.

Director Bayer moved to adopt the resolution; Director Rogatz 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 THE PIKE BLOCK, 300, 306-312, 320-324 SOUTH SALINA STREET AND WEST FAYETTE STREET, SYRACUSE, ONONDAGA COUNTY.

The next item on the agenda was the adoption of a Series Resolution. Marian Zucker presented on this item. She stated that while the resolution provided SONYMA broad authority, staff would still have to bring specific financing deals to the Finance Committee and Board for approval. David Sweet commented that the resolution's language was very broad in terms of setting interest rates. Ms. Zucker responded that the Agency's policy is to issue fixed-rate bonds and that its floating rate bonds are being reduced in its portfolio. Don Lebowitz asked whether the amount requested under this resolution was consistent with past resolutions. Ms. Zucker and Alejandro Valella responded that the requested amount was consistent.

Director Bayer moved to adopt the resolution; Director Rogatz seconded the motion; and the following resolution was adopted unanimously:

A RESOLUTION OF THE STATE OF NEW YORK MORTGAGE AGENCY APPROVING HOMEOWNER MORTGAGE REVENUE BONDS SERIES RESOLUTION.

The next items on the agenda were Information Items. Information with respect to each of these items was provided to the Directors in advance of the meeting, which information is incorporated herein by reference.

- **Quarterly SWAP Report 7/31/11**
- **Review of contracts with firms on the Agency's pre-qualified list of Investment Managers.**

Director Sweet asked that the Audit Committee be provided with a presentation by staff as to SWAP Report.

There being no unfinished business Naomi Bayer moved to adjourn the meeting; Marge Rogatz seconded the motion; and the meeting was adjourned at 4:14 p.m.



Secretary