

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON DECEMBER 9, 2010 AT 3:33 P.M AT
ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

Judd S. Levy	Chairman
Karen A. Phillips	Vice Chairperson
Naomi Bayer	Director
Brian Lawlor	Director
Marge Rogatz	Director
David J. Sweet	Director
Elaine McCann	Division of the budget, representing Robert Megna, Director (via video conference)

ABSENT:

Don Lebowitz	Director
William Myers	Director

Chairman Levy chaired the meeting; Joy F. Willig, Senior Vice President and Counsel, acted as secretary. The meetings of the Affiliated Agencies opened in joint session for the consideration of various 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. President Lawlor noted that this would be the last board meeting under the current Governor, and that the Agencies looked forward to the leadership of Governor Elect Cuomo beginning in January. He then exhibited an award from Habitat for Humanity that honored SONYMA as "Innovator of the Year" in recognition of the success of the low-interest-rate mortgages of 2% for Habitat projects. He congratulated Ms. Marian Zucker, President, Office of Finance and Development and George Leocata, Senior Vice President, Single Family Programs/Financing, for their efforts in ensuring

the success of these projects. The President then went on to congratulate staff in securing extremely favorable NIBP and HFA bond rates in a tumultuous market environment.

The next item on the agenda was the report of the Audit Committee Meeting. Chairman Levy reported that the committee had approved the minutes of its Committee meeting held on October 28, 2010; adopted a resolution approving Internal Audit Staff Functions; adopted a resolution approving Procurement Audit Reports; approved an Accounts Payable Audit Report; approved a Treasury Audit Report; adopted the Action Plan for 2011; reviewed an information report on Whistle Blower Activities.

SONYMA reviewed and recommended for approval the New York State Banking Department 2009 Examination Report; SONYMA reviewed and approved a Servicer Audit of RBS Citizens, N.A. Bank.

The next item on the agenda was the report of the Governance Committees: The Committees adopted Minutes; conducted the Board Self-Evaluation and adopted a resolution with recommendations; adopted the Action Plan for 2011; authorized the adoption of salary ranges for Senior Officers; and reviewed an information report on salary increases for management confidential employees.

The next item on the agenda was the report of the Mortgage Insurance Committee. The Chairperson reported that the Committee had adopted the minutes of October 28, 2010; approved a resolution recommending 50% mortgage insurance for 13 scattered-site projects, located in Brooklyn, Bronx, Staten Island and Manhattan; approved a resolution on 50% mortgage insurance for Good Neighbor Apartments, 114-132 East 104th Street, Manhattan, New York County; approved a resolution recommending 50% mortgage insurance for Mother Zion Houses, 2640 Frederick Douglas Boulevard, Manhattan, New York County; approved a resolution on 50% mortgage insurance for Sugar Hill Houses, 404-414 West 515th Street, Manhattan, New York County; approved a resolution on 50% mortgage insurance for Richmond Hill Senior Apartments, 127-03 Jamaica Avenue, Richmond Hill, Queens County; approved a resolution on 50% mortgage insurance for Hammel Building, 32 Burling Lane, New Rochelle Westchester County, and approved a resolution recommending the approval of 50% mortgage for 652-660 Southern Boulevard, 1037 and 1047 Avenue St. John, Bronx County.

The next item on the agenda was an action item approving the minutes of the SONYMA meeting held on October 28, 2010. There being no objections or corrections by the Directors, the minutes were deemed approved.

The next item on the agenda was a resolution concerning board self-evaluations. Mr. Alejandro Valella, Vice President and Deputy Counsel, presented this item, highlighting certain aspects of the self-evaluation process. Mr. Valella explained that the Governance Committee had recommended the filing of the results of this evaluation at the beginning of 2011, in accordance with the ABO-recommended evaluation form, with the caveat that staff revise the text of the question in the evaluation pertaining to review of publicly-released documents to reflect Agency practices. The committee generally recommended that the evaluation form be revised prior to next year's evaluation to be more acutely tailored to the practices and procedures of the Agency and include an opportunity for more extensive comments. Additionally, Mr.

Valella explained that the committee requested that staff determine the steps the Agency would need to take to evaluate the performance of the President and CEO and senior staff as required under Public Authorities Law.

Ms. Rogatz moved to adopt the resolution; Mr. Sweet seconded the motion; and the following resolution was adopted unanimously:

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, THE STATE OF NEW YORK MORTGAGE AGENCY, THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION, THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY, AND THE TOBACCO SETTLEMENT FINANCING CORPORATION CONCERNING BOARD SELFEVALUATIONS.

The next item on the agenda was the approval of Quarterly and Annual Bond Sale Reports. There was no discussion from the board

Ms. Rogatz moved to adopt the resolution; Mr. Sweet 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, THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND THE TOBACCO SETTLEMENT FINANCING CORPORATION APPROVING THE AGENCIES' BOND SALE REPORTS

The next item on the Agenda was the review and approval of the Agencies' Annual Disaster Recovery/Business Continuity/Pandemic Test Results. There were no questions or comments from the Directors.

Ms. Rogatz moved to adopt the resolution; Mr. Sweet seconded the motion; and the following resolution was adopted unanimously:

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, THE STATE OF NEW YORK MORTGAGE AGENCY, THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND THE TOBACCO SETTLEMENT FINANCING CORPORATION ACCEPTING DISASTER RECOVERY/BUSINESS CONTINUITY PANDEMIC TEST RESULTS

The next item on the agenda was a resolution reviewing and approving the New York State Banking Department 2009 Examination Report The President elaborated upon the rating of "fair" that the Agency's IT department had earned from the banking department examiner, as it was lower than ratings in other categories. He explained that the banking examiner had reviewed the emergency preparedness of SONYMA and took issue with the lag time required to reboot Agency data systems, currently estimated to take up to eight (8) hours. The President stated that the banking examiner had asserted that the capacity to reboot such

systems immediately would be important to disaster functioning. Mr. Lawlor disagreed, pointing out that SONYMA had decided to continue relying on the New York State data recovery process, rather than investing in an outdoor generator at a considerably higher cost, after careful consideration of the Agency's needs. However, Mr. Lawlor explained that this disagreement had led the examiner to question the method by which the Agency had chosen its current disaster preparedness systems, and assign SONYMA with the "fair" rating on IT disaster preparedness. Mr. Lawlor thought it prudent to ensure that the Directors were aware of these issues, and there were no further questions from the Board.

Ms. Rogatz moved to adopt the resolution; Mr. Sweet seconded the motion; and the following resolution was adopted unanimously:

**A RESOLUTION OF THE STATE OF NEW YORK MORTGAGE AGENCY
REVIEWING AND APPROVING THE NEW YORK STATE BANKING
DEPARTMENT 2009 EXAMINATION REPORT**

The next item on the agenda was an information item regarding procurement contracts and purchase orders with minority-owned business and women-owned-business enterprises. There were no questions or comments from the board on this item.

Mr. Lawlor excused himself from the meeting at 3:50 p.m., to attend to another obligation.

The next item on the agenda was a resolution approving 50% mortgage insurance on a \$23,590,000 HDC permanent first mortgage loan for the rehabilitation of 13 scattered-site projects, located in Brooklyn, Bronx, Staten Island and Manhattan. Mr. Michael Friedman, Senior Vice President, had previously discussed certain information contained in the materials in connection with this item, which were provided to the Directors in advance of the Board meeting and which are incorporated herein by reference. These projects were presented and discussed at the earlier MIC meeting. There were no questions from the board.

Ms. Rogatz moved to adopt the resolution; Mr. Sweet 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 NEW YORK CITY HOUSING AUTHORITY
SCATTERED SITE PUBLIC HOUSING PROJECT, BRONX, RICHMOND
AND NEW YORK COUNTIES.**

The next item on the agenda was a resolution approving 50% mortgage insurance on a \$18,056,000 HDC permanent first mortgage loan for the rehabilitation of Good Neighbor Apartments, 114-132 East 104th Street, Manhattan, New York County. Mr. Michael Friedman, Senior Vice President, had previously discussed certain information contained in the materials in connection with this item, which were provided to the Directors in advance of the Board meeting and which are incorporated herein by reference. These projects were presented and discussed at the earlier MIC meeting. There were no questions from the Board for this item.

Ms. Rogatz moved to adopt the resolution; Mr. Sweet 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 GOOD NEIGHBOR APARTMENTS, 114-132 EAST 104TH STREET, MANHATTAN, NEW YORK COUNTY.

The next item on the agenda was a report on the status of the Student Loan Program. Ms. Zucker discussed the progress of the program over the calendar year 2010. She noted that the loans were more marketable now, partly because HESC agreed to pay the 1% college fee and partly because they were allowing for a second cosigner on the loans. She reported that there were \$5,200,000 of loans originated, \$3,000,000 disbursed, and \$560,000 purchased, noting that "purchase" only occurs after a loan is fully disbursed by the loan originator, and that most loans would not be fully disbursed until tuition had been paid for both fall and spring semester. She noted that if the program proceeds along this course, there would be an undisbursed sum of \$92,000,000. She presented the board with three options going forward, including:

1. Going ahead with the mandatory call of remaining bond proceeds in March and discontinuing the program;
2. Postponing the mandatory call and extending the origination period by asking the State to provide additional funds, through appropriation to HESC, for the capitalized interest account for the extended period, though she noted that the State's agreeing to this option would be fairly unlikely; or
3. Effecting a partial mandatory call in March, leaving some funds in the acquisition account, by using remaining funds in the capitalized interest account, without need for more capital infusion. This would also allow the program to continue.

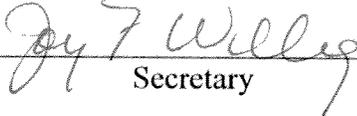
At this point, Chairman Levy voiced concern whether the Agency had given sufficient public notification about the possibility of the mandatory call. Mr. George Graham, Senior Vice President, Debt Issuance, noted that origination information, as well as the unexpended call provision had been filed with the EMMA system, and that all of this should be an indication to the market of the possibility of a redemption. Ms. Zucker stressed that the three options presented had consequences for cash flow. At this point, Ms. Joanne Hounsell, Senior Vice President and Interim Chief Financial Officer, spoke about the costs associated with this program, including staff fees, audit fees, and others. Defeasance, she noted, would end costs to the agency. Ms. Zucker stressed the importance of discussing fees before going forward, to ensure compensation to the Agency. Mr. Sweet asked if the board should make a recommendation for going forward, but Ms. Bayer noted that the Agency was just the issuer of the bonds, the conduit, and that its power to make such recommendations might be limited. The Chairperson emphasized that if this is a decision on the part of the State, the Agency can and should explain that the Board expects compensation and considers it a fulfillment of its fiduciary duty to see that the agency is compensated. He emphasized that the decision of which course of action to take would need to be reached by March 1st, and that if the Board were required to act it would have to do something at the January meeting or at a special meeting, and that their course



of action should take into account SONYMA's expenses. Lastly, Chairman Levy reiterated that the Agency should closely examine whether disclosure surrounding a potential redemption has been accurate and sufficient.

The next item on the agenda was an information item pertaining to MIF Policy discussion of October 7, 2010 concerning an Investment Strategy. Chairman Levy noted that the sentence that currently reads "One example was the directors' agreement to prioritize occupied over leveraged buildings as opposed to vacant buildings," should instead read "One example was the directors' agreement to prioritize occupied buildings as opposed to vacant buildings." The board was in agreement. There were no further questions from the board.

There being no unfinished business; Ms. Rogatz moved to adjourn the meeting; Ms. Bayer seconded the motion; and the meeting was adjourned at 4:28 p.m.


Secretary