

**National Homebuyers
Fund Inc. (NHF)
Board of Directors Meeting**



**Wednesday, November 16, 2016
1:00 P.M.**

**1215 K Street, Suite 1650
Sacramento CA 95814
916-447-4806**



Board of Directors Meeting
Wednesday, November 16, 2016
1:00 p.m.
1215 K Street, Suite 1650
Sacramento, CA 95814
(916) 447-4806

Agenda

- 1. Call to Order & Determination of Quorum**
Chair, Supervisor Kevin Cann, Mariposa County
Vice Chair, Supervisor Randy Hanvelt, Tuolumne County
- 2. Approval of Minutes – August 17, 2016 Board Meeting** **Page 1**
(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise.)
- 3. Public Testimony**
At this time any member of the public may address the Board. Speakers are asked to state their name for the record. Comments are usually limited to no more than 3 minutes per speaker.
- 4. NHF Quarterly Reports** (Discussion and possible action relative to)
Greg Norton, President
Lisa McCargar, Chief Financial Officer
 - a. NHF Quarterly Budget Report (September 30, 2016)** **Page 3**
 - b. NHF Quarterly Investment Report (September 30, 2016)** **Page 7**
 - c. NHF Cash and Securities Asset Report (September 30, 2016)**
- 5. Business and Administrative Matters** (Discussion and possible action related to)
Greg Norton
Craig Ferguson, Vice President
Lisa McCargar
 - a. NHF 2017 Proposed Budget – ACTION** **Page 11**
 - b. Revenue Activity and Resources – ACTION** **Page 17**
 - c. NHF 2017 Investment Policy Renewal – ACTION** **Page 19**
 - d. NHF Resolution 17-01: Board Travel Policy – ACTION** **Page 27**
 - e. Other Business and Administrative Matters**
- 6. Program Updates** (Discussion and possible action relative to)
Craig Ferguson

7. Adjournment

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, contact Sarah Bolnik by calling 916-447-4806 at least 48 hours prior to the scheduled meeting.

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment; please let staff know if you would like to speak on a specific agenda item. The agenda for this meeting of the Board of Directors of National Homebuyer's Fund was duly posted at its offices, 1215 K Street, Suite 1650 Street, Sacramento, CA 72 hours prior to the meeting.



National Homebuyers Fund, Inc.
1215 K Street, Ste 1650 · Sacramento, California 95814
Phone: 866-643-4968 · Fax: 916-444-3551 · www.nhfloan.org

**Board of Directors Meeting
Wednesday, August 17, 2016
2:00 p.m.
1215 K Street, Suite 1650
Sacramento CA 95814
(916) 447-4806**

MINUTES

Call to Order and Determination of Quorum

GSFA and NHF Chair, Supervisor Kevin Cann, Mariposa County, and RCRC Chair, Supervisor John Viegas, Glenn County, called the simultaneous meeting of the National Homebuyers Fund Board of Directors, the Golden State Finance Authority Executive Committee, and the RCRC Executive Committee to order at 2:02 p.m. A quorum was determined at that time; those present were as follows:

Directors Present

Supervisor Kevin Cann, Mariposa County
Supervisor John Viegas, Glenn County
Supervisor Bob Williams, Tehama County
Supervisor Randy Hanvelt, Tuolumne County
Patricia Megason, RCRC Executive Vice President

Directors Absent

None

Others in Attendance

Supervisor Diane Dillon, Napa County
Supervisor John Fenley, Trinity County
Supervisor John Pedrozo, Merced County
Supervisor Lee Adams, Sierra County
James Wagstaffe, Kerr & Wagstaffe LLP
Ivo Labar, Kerr & Wagstaffe LLP
Avi Lipman, McNaul Ebel Narrot & Helgren PLLC – via teleconference
Greg Norton, President
Craig Ferguson, RCRC Vice President
Sarah Bolnik, RCRC Office Manager

Special Order of Business: Closed Session
Conference with Legal Counsel – Existing Litigation

The Golden State Finance Authority Executive Committee, the Rural County Representatives of California Executive Committee, and the National Homebuyers Fund, Inc. Board of Directors convened a closed session at 2:03 p.m. pursuant to Government Code Section 54956.9.

At 2:20 p.m., the closed session of the simultaneous meeting of the GSFA Executive Committee, the RCRC Executive Committee and the NHF Board of Directors was adjourned. No action was taken.

At 2:23 p.m., the NHF Board of Directors Meeting was reconvened.

Approval of Minutes of the May 11, 2016 Board Meeting

Supervisor Randy Hanvelt, Tuolumne County, motioned to approve the minutes of the May 11, 2016 NHF Board of Directors Meeting. Supervisor Bob Williams, Tehama County, seconded the motion. Motion unanimously approved.

Member County Concerns

None

Public Testimony

None

Adjournment

Chair, Supervisor Kevin Cann, Mariposa County adjourned the NHF Board of Directors Meeting at 2:25 p.m.



National Homebuyers Fund, Inc.
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To: NHF Board of Directors
From: Lisa McCargar, Chief Financial Officer
Greg Norton, President
Date: November 8, 2016
Re: NHF Quarterly Budget Report (September 30, 2016)

Summary

The Statement of Revenues and Expenses provides a budget to actual comparison for the nine months ended September 30, 2016.

Attachment

- NHF Statement of Revenues and Expenses, Budget vs. Actual, for the Nine Months Ended September 30, 2016.

NATIONAL HOMEBUYERS FUND
Statement of Revenue and Expenses
Budget Vs. Actual - (UNAUDITED)
For the Nine Months Ended September 30, 2016

	2016 Annual Budget	Nine Months Ended September 30, 2016 Budget	Nine Months Ended September 30, 2016 Actual	Variance Favorable / (Unfavorable)	Percent Favorable / (Unfavorable)
Income:					
Housing Program Revenue	\$ 99,100,000	\$ 74,325,000	\$ 94,810,011	\$ 20,485,011	27.56%
Program Management Fee Revenue	2,405,000	1,803,750	3,422,989	1,619,239	89.77%
2nd Mortgage Interest	555,000	416,250	590,299	174,049	41.81%
Interest Income / Capital Gain	60,000	45,000	380,232	335,232	744.96%
Total Income	\$ 102,120,000	\$ 76,590,000	\$ 99,203,531	\$ 22,613,531	29.53%
Expenditures:					
Accounting & Auditing	\$ 29,200	\$ 21,900	\$ 20,917	\$ 983	4.49%
Bank Fees	3,000	2,250	19	2,231	99.16%
Business Development and Expansion	120,000	90,000	18,031	71,969	79.97%
Consultants	150,000	112,500	198,262	(85,762)	-76.23%
Contract Support Services	2,413,200	1,809,900	1,809,900	-	0.00%
County MCC Fees	17,000	12,750	4,500	8,250	64.71%
Custodian / Trustee Fees	25,000	18,750	13,750	5,000	26.67%
Dues, Fees & Subscriptions	30,000	22,500	10,350	12,150	54.00%
Excess Resources to RCRC	3,056,000	2,292,000	2,292,000	-	0.00%
Insurance	36,000	27,000	26,941	59	0.22%
Legal Services	250,000	187,500	980,140	(792,640)	-422.74%
Lender Training	10,000	7,500	-	7,500	100.00%
Licenses and Fees	20,000	15,000	-	15,000	100.00%
Loan Losses	150,000	112,500	112,134	366	0.33%
Miscellaneous	5,000	3,750	336	3,414	91.04%
Gift Program	80,000,000	60,000,000	72,685,687	(12,685,687)	-21.14%
Pipeline Services	75,000	56,250	48,750	7,500	13.33%
Trading Platform	2,000,000	1,500,000	1,950,725	(450,725)	-30.05%
Promotion and Marketing	100,000	75,000	1,819	73,181	97.57%
Rent	67,950	50,963	51,396	(433)	-0.85%
Sponsorships	100,000	75,000	100,000	(25,000)	-33.33%
Travel	25,000	18,750	18,103	647	3.45%
Total Expenditures	\$ 88,682,350	\$ 66,511,763	\$ 80,343,760	\$ (13,831,997)	-20.80%
Net Revenue Over Expenditures	\$ 13,437,650	\$ 10,078,237	\$ 18,859,771	\$ 8,781,534	87.13%



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To: NHF Board of Directors
From: Greg Norton, President
Lisa McCargar, Chief Financial Officer
Date: November 8, 2016
Re: NHF Quarterly Investment Report (September 30, 2016)

Summary

In accordance with NHF's investment policy, we are providing the September 30, 2016 investment report. The report provides a summary of investment balances and transactions for the quarter ending September 30, 2016. In addition, the report provides the returns by investment type and a comparison to the 90 day Treasury Rate. The CalTRUST yields are the funds' reported September 30, 2016 yields.

Attachment

- NHF Investment Report – As of and for the Quarter Ended September 30, 2016

NATIONAL HOMEBUYERS FUND
Investment Report
As of and for the Quarter Ended September 30, 2016

	Total	CalTRUST Short-Term	CalTRUST Medium-Term
Bal: 6/30/16	\$39,646,894	\$9,348,586	\$30,298,308
Additions	-	-	-
Withdrawals	-	-	-
Interest	93,713	17,438	76,275
Capital Gain/(Loss)	(89,853)	-	(89,853)
Bal: 9/30/16	\$39,650,754	\$9,366,024	\$30,284,730

Yield:

Annualized One Year
Average Maturity (days)
90 Day Treasury Bill Rate

Short Term	Mid Term
0.66%	0.97%
391	730
0.29%	

All current cash investments are held in either CalTRUST's Short-Term Fund or Medium-Term Fund. Cash in the CalTRUST Short-Term Fund may be accessed within 24 hours. Cash in the CalTRUST Medium-Term Fund may be accessed at the end of each month.

Amounts include accrued interest at the end of the period.

No members of the Investment Committee have any conflict of interest with any current investment firms.

Purpose of transactions in excess of \$1 million:

-None



To: NHF Board of Directors
From: Greg Norton, President
Lisa McCargar, Chief Financial Officer
Date: November 8, 2016
Re: NHF 2017 Proposed Budget - **ACTION**

Summary

The proposed 2017 National Homebuyers Fund, Inc. (NHF) Operating Budget constitutes NHF's continued commitment to providing affordable housing down payment assistance and providing program management services to other entities.

The proposed 2017 operating budget (Attachment A) includes total revenues of \$76,364,000 and total expenditures of \$72,810,137 and results in net revenue over expenditures of \$3,553,863. The primary sources of revenue and budgeted expenses are described below.

2017 Proposed Revenue Highlights

Proposed revenues are primarily derived from housing programs, program management services, second mortgage portfolio interest earnings and investment returns. The proposed 2017 NHF Operating Revenue Budget of \$76,364,000 includes:

- Housing program activity across multiple states is projected to generate revenues of \$74.25 million while management services are expected to generate \$1.1 million in revenue.
- The NHF second mortgage portfolio which is projected to generate interest earnings of \$550,000.
- Interest and capital gains on cash and investments held in CalTrust of \$454,000.

2017 Proposed Expenditure Highlights

The proposed 2017 NHF Operating Expenditure Budget is designed to provide the resources necessary to pursue and implement current and planned housing programs and services. The proposed 2017 expenditure budget totals \$72,810,137. Primary expenditures are for housing program gifts; contract support services payments and

an estimated excess resources transfer to RCRC; legal fees; program administration costs and pipeline service fees.

The key proposed 2017 NHF expenditures include:

- Housing program down payment assistance (DPA) gifts to homebuyers of \$64.0 million and associated program operations, management and pipeline services fees of \$825,000.
- Contract support services payments to RCRC total \$2,449,000. Additionally, in accordance with the NHF Bylaws, the NHF budget includes a proposed transfer of \$3.0 million to RCRC in 2017. This item is specifically addressed in a separate report.
- Legal fees of \$1.5 million.
- The 2017 proposed budget includes \$150,000 for business development & expansion, \$100,000 for promotion & marketing, and \$100,000 for sponsorships.
- In addition to regular operating expenses such as accounting, auditing, insurance, rent and other housing and operating fees, the proposed expenditures for NHF include the following:
 - Consultants - \$250,000
 - Loan Losses - \$175,000

Key Differences between 2017 and 2016 Expenditure Budgets

The proposed 2017 expenditures budget for NHF is \$72,810,137, which is a \$15,872,213 (17.9%) decrease from the 2016 approved budget. Following is a summary of the key differences between the proposed 2017 and the 2016 approved budgets:

- **Housing Program DPA Gifts to Homebuyers** - A decrease of \$16 million (20%) of DPA gifts to homebuyers primarily due to program partner changes and decreased activity projections.
- **Trading Platform** – A net decrease of \$1,250,000 (62.5%) for use of the GSFA trading platform associated with the projected decrease in program activity and change in provider expenses.
- **Consultants** – An increase of \$100,000 (66.7%) primarily due to the need for representation and consultation at the federal level.
- **Legal Fees** – An increase of \$1.25 million (500%) due to anticipated costs associated with an outstanding legal matter.
- **Loan Losses** - An increase of \$25,000 (16.7%) due primarily to second mortgage program loss experience and the aging of the portfolio balance.

Budgeted Net Revenue

The proposed budget for 2017 will result in net revenue over expenditures of \$3,553,863. The budgeted expenditures include a noncash item, the loan losses, of \$175,000. Therefore, the proposed 2017 budget is projected to generate positive cash flow of \$3,728,863.

Other Related Matters

Due to the volatility and pace of the housing programs and markets, request authority for the President to make necessary business decisions up to \$500,000 per decision outside of the approved operating budget. Also request the President be granted with the authority to proceed with necessary operating decisions due to changes in the market, economy or changing transactional requirements to avoid unnecessary delay and provide the necessary flexibility to effectively and timely implement and modify programs. Such expenditure and operational decisions are to be made in consultation with the Vice President, the NHF Chair and the NHF Vice Chair and are to be reported back to the Board with subsequent ratification as necessary.

In 2016 the Board approved the use of up to \$2.0 million to support veteran's housing projects. To date, \$320,000 of that amount has been committed to a specific Board approved project. It is recommended that the remaining \$1,680,000 remain available for additional veteran's housing or other specific related projects approved by the Board.

Recommendations

It is recommended that the NHF Board of Directors approve the following recommendations:

1. Approve the attached proposed 2017 NHF Operating Budget.
2. Grant the NHF President the authority to make necessary business decisions and utilize up to \$500,000 per decision outside of the approved operating budget when necessary. Such decisions will be made in consultation with the Vice President, the NHF Board Chair and NHF Vice Chair and reported back to the NHF Board at the next available Board meeting.
3. Grant the NHF President the authority to proceed with necessary operating decisions due to changes in opportunities, the market, the economy or changing transactional requirements to provide necessary flexibility to effectively and timely implement programs. Such decisions to be made in consultation with the Vice President, NHF Chair and NHF Vice Chair with subsequent ratification by the Board of Directors as necessary.
4. Approve the 2017 contract service fee to RCRC in the amount of \$2,449,000 and transfer of \$3,000,000 of excess resources to RCRC in accordance with the NHF bylaws.

5. Approve continued commitment of \$1.68 million to veteran's housing or other specific related projects approved by the Board.

Attachments

- 2017 NHF Operating Budget

ATTACHMENT 1

**NATIONAL HOMEBUYERS FUND
FY 2017 BUDGET
For the Year Ending December 31, 2017**

Income:	2017 Budget	2016 Budget	Change Increase / (Decrease)
Housing Program Revenue	\$ 74,250,000	\$ 99,100,000	\$ (24,850,000)
Program Management Fee Revenue	1,110,000	2,405,000	(1,295,000)
2nd Mortgage Interest	550,000	555,000	(5,000)
Interest Income and Capital Gain/(Loss)	454,000	60,000	394,000
Total Income	\$ 76,364,000	\$ 102,120,000	\$ (25,756,000)
Expenditures:			
Accounting & Auditing	\$ 28,500	\$ 29,200	\$ (700)
Bank Fees	-	3,000	(3,000)
Business Development and Expansion	150,000	120,000	30,000
Consultants	250,000	150,000	100,000
Contract Support Services	2,449,000	2,413,200	35,800
County MCC Fees	17,000	17,000	-
Custodian / Trustee Fees	25,000	25,000	-
Dues, Fees & Subscriptions	30,000	30,000	-
Excess Resources to RCRC	3,000,000	3,056,000	(56,000)
Insurance	39,000	36,000	3,000
Legal Services	1,500,000	250,000	1,250,000
Lender Training	-	10,000	(10,000)
Licenses and Fees	-	20,000	(20,000)
Loan Losses	175,000	150,000	25,000
Meetings	1,000	-	1,000
Miscellaneous	5,000	5,000	-
Gift Program	64,000,000	80,000,000	(16,000,000)
Pipeline Services	75,000	75,000	-
Trading Platform	750,000	2,000,000	(1,250,000)
Promotion and Marketing	100,000	100,000	-
Rent	85,637	67,950	17,687
Sponsorships	100,000	100,000	-
Travel	30,000	25,000	5,000
Total Expenditures	\$ 72,810,137	\$ 88,682,350	\$ (15,872,213)
Net Revenue Over Expenditures	\$ 3,553,863	\$ 13,437,650	\$ (9,883,787)
Noncash Adjustments:			
Loan Losses	\$ 175,000	\$ 150,000	\$ 25,000
Projected Use of Residual	\$ -	\$ -	\$ -
Use of Reserves Cash Adjustment:			
Designated for Veteran's Housing, Etc.	\$ (1,680,000)	\$ (2,000,000)	\$ 320,000



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To: NHF Board of Directors
From: Greg Norton, President
Lisa McCargar, Chief Financial Officer
Date: November 08, 2016
Re: Revenue Activity and Resources - **ACTION**

Summary

Section 3 (d) "Excess Revenues" of the NHF Bylaws states:

"This corporation shall transfer to RCRC all revenues in excess of the corporation's business operating needs. The amounts of such excess revenues shall be determined and transferred by the Chief Financial Officer and the Executive Vice President on not less than an annual basis. Any transfer of funds pursuant to this Section shall be approved by the President."

During 2016, NHF has continued its program offerings in other states despite the non-renewal of a contract with a primary mortgage servicer. As has been shared with the Board, the success of the programs has continued to bring challenges from other parties. Nonetheless, NHF experienced a record year in 2016 in regard to the number of homebuyers assisted and revenues generated. At the same time, with one program currently on hold and the primary program currently facing challenges and potential changes, it is prudent for NHF to proceed conservatively regarding estimating NHF's excess resources.

Prior years' experience has demonstrated the housing market can be highly volatile. As such, utilization and investment of resources in program development, enhancement of existing programs, and supporting the organization's long-term financial needs is critical to future success.

To strengthen both the short and long-term future of NHF, it is important to retain significant resources in NHF to invest in and support continued expansion and program development. With a strong balance sheet and available resources, NHF presents a solid financial condition to partners and potential partners, and has the resources necessary to pursue further programmatic and geographic expansion and diversification. NHF has been able to strengthen its programs and market by not relying on capital generation or program administration from outside third party advisors. These efforts have resulted in more competitive programs for homebuyers and added flexibility to adjust to changes in the market.

NHF's proposed budget for 2017 includes projected revenues of roughly \$76.4 million and projected expenditures of nearly \$72.8 million. The contract support service fee to

RCRC for 2017 will increase slightly. The 2016 contract amount was \$2,413,200 while the proposed 2017 contract amount is \$2,449,000.

NHF Resources

As of September 30 2016, NHF's resources consist primarily of the following:

Cash and cash equivalents	\$48,613,705
Cash in Securities Brokerage Accounts	\$12,183,387
Second Mortgages (some of which will experience losses)	<u>\$ 7,071,373</u>
Total primary resources	\$68,564,336

With the projected decrease in down payment assistance program activity, the volatility of the market and the on-going commitment to build strong programs for homeowners in the future, a conservative approach to the transfer of resources to RCRC is suggested. Consideration has included both short and long-term needs in evaluating and discussing the current and future resource requirements of NHF based on 2016 activity and 2017 and future business operating needs and plans. The current challenges make those considerations more difficult than normal.

Conclusion

In addition to the 2017 contract support service fee, and in accordance with the NHF bylaws, it is recommended NHF transfer \$3,000,000 to RCRC in 2017. To ensure the stability of NHF resources and since much is dependent on projected success in 2017, the \$3,000,000 should be transferred quarterly in equal amounts. In the event there is a significant change in the market and/or NHF's business operating model or needs, the transfer will be revisited with the NHF Board.

Recommendation

It is recommended that, per NHF bylaws, based on 2016 activity and projected 2017 and future operating needs, the Board approve the transfer of \$3,000,000 of NHF resources to RCRC in equal quarterly transfers in 2017.



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To: NHF Board of Directors
From: Greg Norton, President
Lisa McCargar, Chief Financial Officer
Date: November 8, 2016
Re: NHF 2017 Investment Policy Renewal - **ACTION**

Summary

The Investment Committee is responsible for overseeing the investment activity and is to present the Investment Policy to the Board for review and approval.

Issue

The Investment Policy was last revised and approved by the NHF Board of Directors on November 18, 2015. The Investment Committee consisting of the NHF President, Executive Vice President and Chief Financial Officer has reviewed and is submitting the policy for annual review as required.

The Investment Committee does not have any suggested revisions for 2017 other than applicable dates.

Recommendation

It is recommended that the NHF Board of Directors review and approve the attached 2017 Investment Policy.

Attachment

- 2016 NHF Investment Policy

NATIONAL HOMEBUYERS FUND

Subject:	Class:	Number:
INVESTMENT POLICY	ACCOUNTING	A – 03
	<input type="checkbox"/> Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supersedes: Policy dated 11/18/15 Approved:

INTRODUCTION

The investment policies and practices of National Homebuyers Fund (NHF) are based upon state law and provide guidelines for the prudent investment of NHF's reserve funds as well as temporarily idle cash. The primary goals of these policies are:

1. To safeguard the principal funds.
2. To provide sufficient liquidity to meet normal operating expenditures and expenditures beyond the ordinary budgeted expenses.
3. To generate investment income commensurate with the parameters of prudent risk management and consistent with the above policies.

Investments shall be made with judgment and care – under circumstances then prevailing – in the same manner that prudent investors, using discretion and intelligence, would exercise in the management of their own affairs when doing so for investment and not for speculation, and considering the probable safety of their capital as well as the probable income to be derived. The Investment Committee will use the “prudent investor” standard in managing NHF's portfolio.

Investment Committee members acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and actions are taken to control adverse developments. Any deviations, once identified, should be documented and reviewed to determine whether replacing the security would be in the best interest of the organization.

OBJECTIVES

NHF's investment policy shall be managed in a manner that emphasizes the preservation of capital. The long-term goal is to seek competitive returns while minimizing exposure to credit and market risk. The investment portfolio shall remain sufficiently liquid to meet anticipated cash requirements. NHF's objective is to diversify its investment portfolio by investing funds among a variety of securities offering independent returns and financial institutions. This can be accomplished through diversity of instruments to include those with active secondary markets, maturities that match expected cash needs, and CalTrust which includes diverse investment portfolios and immediate withdrawal provisions. The investment objective shall be to achieve a rate of return that is commensurate with safety and liquidity requirements of the organization. Management of the Investment portfolio will be directed by the objectives of Preservation of Capital – understanding that losses may occur on individual securities; Risk Aversion - understanding that risk is present in all types of investment; and Adherence to Investment Discipline, adhering to this policy.

The portfolio's target total return should meet or exceed all of the following over a full market cycle (at least 5 years):

- California's Local Agency Investment Fund (LAIF) rate for the same period.
- The 90 day Treasury Bill rate for the same period.

NATIONAL HOMEBUYERS FUND

Subject:	Class:	Number:
INVESTMENT POLICY	ACCOUNTING	A – 03
	<input type="checkbox"/> Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supersedes: Policy dated 11/18/15 Approved: Date: 11/16/16

DELEGATION OF AUTHORITY

Authority to manage NHF's investment program is derived from California Government Code Sections 53601 and 53607 and by annual actions of NHF's Board of Directors (Board). The Board has delegated management responsibility for the investment program to the Investment Committee consisting of NHF's President, Executive Vice President and Chief Financial Officer (CFO). The Investment Committee shall be responsible for all investment transactions undertaken.

RESPONSIBILITY OF THE INVESTMENT CONSULTANT(S)

In the event the Investment Committee determines to utilize an Investment Consultant, the Investment Consultant's role will be that of a non-discretionary advisor to the Investment Committee. Investment advice concerning the investment management of assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will monitor expected net cash flow requirements.

To maintain the ability to deal with unplanned cash requirements that might arise, the Investment Committee will determine the portion of assets that shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

MARKETABILITY OF ASSETS

The Investment Committee requires that all assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price.

AUTHORIZED AND SUITABLE INVESTMENTS

NHF is empowered to invest in CalTRUST and, as provided in Government Code (GC) Section 53601 and 53601.1 to invest in the following types of securities:

- Debt issued by NHF or other public agencies
- Money market instruments within the limitations provided in GC Section 53601.1
- Debt and/or securities of affiliated companies when that debt or security meets the requirements of any of the securities listed in GC Section 53601.1

NATIONAL HOMEBUYERS FUND

Subject: INVESTMENT POLICY	Class: ACCOUNTING		Number: A – 03
	() Complete Revision (x) Partial Revision () New	Supersedes: Policy dated 11/18/15 Approved:	Page: 3 of 5 Date: 11/16/16

Allowable Assets

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds/Securities

3. Mutual Funds

- Mutual Funds which invest in securities as allowed in this statement.

ASSET ALLOCATION

Sections 53601 and 53601.1 of the California Government Code provide legal authorization for investment of funds of local agencies. All investments of NHF shall conform to the restrictions of those laws and shall be consistent with prudent and conservative investment standards.

1. The Investment Committee will determine the Aggregate Fund Asset Allocation (allocation) giving consideration to resources, operating needs and economic conditions. The Investment Committee will monitor the allocation and take steps to balance the allocation as appropriate.
2. Should an investment percentage-of-portfolio limitation be exceeded due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Investment Committee shall consider rebalancing the portfolio, basing the decision, in part, on the expected length of time the portfolio will be unbalanced.
3. In order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency or particular industry should not be excessive as determined by the Investment Committee. The total allocation to treasury bonds and notes may represent up to 100% of the aggregate bond position

NATIONAL HOMEBUYERS FUND

Subject:	Class:	Number:
INVESTMENT POLICY	ACCOUNTING	A – 03
	<input type="checkbox"/> Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supersedes: Policy dated 11/18/15 Approved: Date: 11/16/16

ETHICS AND CONFLICTS OF INTEREST

Members of the Investment Committee shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Investment Committee members shall disclose annually any material financial interests in financial institutions that conduct business with NHF and they shall further disclose any large personal financial/investment positions that could be related to the performance of NHF. The annual disclosure on California Fair Political Practices Commission Form 700 will suffice to meet this requirement.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The CFO will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by State of California laws.

All financial institutions and broker/dealers who desire to be approved for providing investment services must provide the Investment Committee with the following:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- Trading resolution
- Proof of State of California registration
- Certification of having read NHF's investment policy and depository contracts

An annual review of the financial condition and registrations of approved security broker/dealers utilized by NHF will be conducted by the Chief Financial Officer.

INVESTMENT PERFORMANCE REVIEW AND EVALUATION

The Investment Committee shall ensure that performance reports are compiled at least quarterly. The market value of the portfolio shall be calculated and an investment report shall be prepared at least quarterly for presentation to the Executive Committee. The report shall include the following:

- Listing of individual investments held at the end of the reporting period, showing institution, selling institution, date of maturity, amount of deposit, and current market value
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Return on investment expressed as an annual percentage rate
- Average weighted yield to maturity of portfolio as compared to applicable benchmarks
- Statement of current allocation of investments

NATIONAL HOMEBUYERS FUND

Subject:	Class:	Number:
INVESTMENT POLICY	ACCOUNTING	A – 03
	<input type="checkbox"/> Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supersedes: Policy dated 11/18/15 Approved: Date: 11/16/16

The Investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Investment Committee intends to evaluate the portfolio(s) over at least a three year period.

INVESTMENT POLICY REVIEW

The investment policy shall be reviewed and approved annually by the Board of Directors in accordance with Government Code Section 53646. By adoption of this investment policy, the Board of Directors delegates investment authority to the Investment Committee (consisting of the President, Executive Vice President and Chief Financial Officer) in accordance with Government Code Section 53607. Such investment authority shall include authority to invest or to reinvest funds of NHF and to sell or exchange securities so purchased. All investments require the approval of at least two members of the Investment Committee.



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To: NHF Board of Directors
From: Greg Norton, President
Lisa McCargar, Chief Financial Officer
Date: November 8, 2016
Re: NHF Resolution 17-01: Board Travel Policy - **ACTION**

Background

NHF has prepared a Travel Expense Policy (Resolution 17-01) for the NHF Board of Directors and is presenting a draft to the Board for consideration and approval. The official IRS rate for reimbursement of mileage for personally owned vehicles for 2017 has not yet been released, however, the policy indicates that reimbursement will be at the prevailing IRS rate.

Recommendation

It is recommended that the NHF Board of Directors approve and adopt the proposed Board Travel Expense Policy, Resolution 17-01.

Attachment

- Resolution 17-01

RESOLUTION 17-01

TRAVEL EXPENSE POLICY FOR THE NATIONAL HOMEBUYERS FUND, INC. BOARD MEMBERS

WHEREAS, the National Homebuyers Fund, Inc. Board of Directors needs to establish rules and regulations concerning travel, lodging and meals;

NOW, THEREFORE, BE IT RESOLVED by the Board of the National Homebuyers Fund, Inc. (NHF) that unless otherwise provided by law, the following rules and regulations shall govern NHF business travel by NHF Board Members.

STATEMENT OF GENERAL POLICY

- A. It is recognized that members of Boards of Supervisors are reimbursed for business expenses by their respective counties. It is the intention of NHF to encourage involvement in NHF business by reimbursing NHF Board Members for certain NHF-related expenses, as described herein. Such a policy is intended to augment county reimbursement, not fully replace it.
- B. Travel is limited to only those purposes which enhance the efficient and effective operation of NHF.
- C. NHF Board Members traveling on NHF-related business shall do so by the most reasonable means available, both in terms of financial costs as a primary focus and productive utilization as a secondary consideration. It is also recognized that circumstances such as the distance to be traveled and the time necessary to travel, emergency situations, inclement weather conditions, etc., are all factors which may have significant impact in determining the allowance for the cost of travel.
- D. Authority to travel and reimbursements for customary and reasonable costs incurred for such travel including meals, transportation, registration, lodging, parking and other related costs shall be in accordance with policy and procedures delineated herein.
- E. All travel reimbursement claims must be submitted utilizing the NHF travel claim form.
- F. In no case will a Board Member be reimbursed in an amount greater than provided in this resolution without approval of the President.
- G. Reimbursement for commercial air travel will be at "coach" class cost.

- H. Reimbursement associated with an NHF Board Meeting, attendance at the full meeting is required in order to be reimbursed.

I. TRAVEL DEFINITIONS

Travel in this policy is defined as travel that is necessary to complete NHF business required by the organization in the performance of its primary function and/or in the course of the assigned duties. Travel for Board Members consists of roundtrip travel from their place of residence or office to attend such required events/activities.

Such travel events include, but are not limited to:

- Meetings or conferences required in the implementation or administration of new or ongoing NHF program areas.
- Meetings, appearances or other travel necessary to conduct NHF business requested by the Board of Directors, Chair of the NHF Board, or the NHF President.

II. REIMBURSABLE TRAVEL ACTIVITIES

NHF and its Board recognize the importance of NHF Officers and Board Members actively participating on behalf of NHF in certain activities on NHF business.

NHF will reimburse for travel expenses, including transportation, meals and lodging at the levels approved in this policy, for such activities in the following circumstances:

1. The activity is an NHF Board Meeting and the attending person is an official Member of the NHF Board.
2. The activity is a conference or a necessary meeting in which NHF has been invited to participate, and relates to subjects of interest to NHF, as determined by the NHF Board of Directors, and the NHF President.
3. The participation of the particular NHF Board Member is designated as official NHF business by the NHF President.
4. The travel, lodging and meal expenses are in connection with the activities described above, and are not for personal or non-official purposes, such as entertainment or tourist related activities organized as part of a conference.

Reimbursements shall be made only upon supporting invoices, receipts and bills consistent with appropriate NHF policies.

Notwithstanding the above, in no event shall NHF make reimbursement for lavish expenses for travel, lodging or meals; provided, however, that if the prevailing levels of lodging expenses exceed prevailing per diem levels, NHF may reimburse for such expenses upon a determination of the NHF President that the location, prevailing costs of lodging, or business necessity required more expensive lodging or meals.

NHF Board Members who are public officials under Government Code Section 87200 or are designated employees of a governmental agency, will be required to report payments as income on their FPPC Form 700 Statement of Economic Interests. NHF will provide to such persons annually a listing of reimbursements for these reporting purposes.

III. LICENSE, INSURANCE REQUIREMENTS AND MEANS OF TRAVEL

Licenses - All NHF Board Members operating any vehicle used in the performance of NHF-related business must possess a valid driver's license. All NHF Board Members flying/piloting their own or a rented aircraft in the performance of NHF-related business must possess a valid and proper license.

Insurance Requirements - Any Board Member who uses their personal vehicle, rental vehicle or government vehicle for travel on NHF-related business shall carry insurance for personal injury or property damage at or above state mandated minimum levels at that time. Board Members not in compliance with these minimum standards shall not be authorized to drive their personal vehicle, rental vehicle or government vehicle on NHF business. If requested, Board Member is required to provide proof of licensing and insurance.

Any Board Member flying/piloting an aircraft for travel on NHF-related business shall carry comprehensive liability insurance coverage in the minimum amount of \$1,000,000 prior to their using the aircraft to conduct NHF business. Board Members not in compliance with these requirements shall not be authorized to fly their own or a rented aircraft on NHF business. If requested, Board Member is required to provide proof of licensing and insurance. NHF's Liability and Excess Liability policies exclude aircraft.

IV. MILEAGE CALCULATION AND REIMBURSEMENT

Mileage Calculation-Roundtrip mileage is to be calculated from the Board Member's principal place of employment or home to the destination. Any special circumstances which inflate the normal mileage should be accompanied by an explanation in the expense claim and are subject to denial.

Mileage Reimbursement Rate-Authorized private vehicle usage for NHF business travel will be reimbursed at the rate allowed under prevailing Internal Revenue Service rules and regulations as maintained by NHF.

Aircraft Travel- NHF Board Member's use of a private aircraft will be reimbursed at the same rate as that allowed by the Internal Revenue Service for a private automobile as stated under "Mileage Reimbursement Rate" or at the cost of commercial air travel.

Other Forms of Travel- NHF Board Member's choosing to utilize another form of travel, such as train or other transit, shall be reimbursed at the same rate as if travel occurred as addressed in the Statements of General Policy. Item C. states NHF Board Members traveling on NHF-related business shall do so by the most reasonable means available, both in terms of financial costs as a primary focus and productive utilization as a secondary consideration. Item G states Reimbursement for commercial air travel will be at "coach" class cost.

V. LODGING

Hotel Allowance-Delegates should seek the lowest cost accommodation reasonably available for the intended travel. For lodging in the Sacramento area, NHF will reimburse lodging expense, inclusive of room rate, occupancy tax and other fees, up to a maximum of \$112 per night. Board Members are charged with using reasonable care and judgment in regard to whether overnight accommodations are required for their participation.

Guidelines regarding the need for overnight accommodations are as follows:

- For a two-day meeting/event when one-way travel from place of residence or office to the meeting/event is more than 75 miles or if travel will take more than 1 to 1 ½ hours;
- For a one-day meeting/event when one-way travel from place of residence or office is more than 150 miles or if travel will take longer than 2 hours; or
- In circumstances when the Board Member needs to remain in Sacramento to participate at an NHF associated event that will end later than 6:30 pm or in an early meeting the following morning.
- When participation in NHF business requires arrival the night before for a meeting in Sacramento that begins at 8:00 am or earlier.

For accommodation reimbursement associated with an NHF Board Meeting, attendance at the full meeting is required in order to be reimbursed.

Transient Occupancy Tax- Occupancy tax can sometimes be waived by the motel/hotel dependent upon local regulation. Board Members traveling should always inquire about an exemption when appropriate.

VI. MEALS

Meal Allowances- Meal allowances will be reimbursed at the following rate, however, receipts must be provided:

- Breakfast \$ 8.00
- Lunch \$12.00
- Dinner \$25.00

Board Members will not be reimbursed for meals if the cost of a meal is included in the conference fee either reimbursed or paid directly by NHF. Board Members will not be reimbursed for meals that are provided at NHF events or meetings.

Meal Times - Board Members are charged with using reasonable care and judgment in regard to reimbursements. Reasonable times are generally considered to be departure prior to 7:00 a.m. for breakfast and return to residence after 6:00 p.m. for dinner.

Meal Limitations - Reimbursement will not include alcoholic beverages regardless of meal type or captive nature. Gratuities are capped at 15% of the cost of the meal.

Captive Meal - Captive refers specifically to those instances where a Board Member must/should participate in a dining event as part of an agendaized event. Required group meetings, gatherings or functions for which meal allowances will be claimed for breakfasts, luncheons or dinners and which are of a captive nature shall be reimbursed at actual cost even though it exceeds those amounts set forth under Meal Allowances. Expense claims for meals at such meetings, gatherings or functions (captive meals) will state the captive nature of the meal for which the expense claim is being presented.

Fixed Prices - When attendance at official meetings or conventions forces fixed prices, the claimant must list the items separately on the claim form as "Official Banquet" or other such language and the amount thereof. In this event, all such items will be supported by receipts verifying such charges. If supporting documents are not obtainable, then a statement to this effect will be made by the claimant. The NHF President reserves the right to deny any undocumented expenses.

VII. EXPENSE DOCUMENTATION

Receipt Requirements-Receipts must be provided for reimbursable expenses including the following:

- All lodging expenses paid at actual cost. There is \$112 per night maximum in the Sacramento area, inclusive of room rate, taxes and fees.
- All meal expenses

- Registration fees
- Telephone calls related to NHF business in excess of \$2.50 per trip
- Taxi/Bus fare in excess of \$5.00 per travel period
- Car Rental
- Air Travel (use ticket stub or electronic itinerary)
- Other common carrier (use ticket stub)
- Commuter bus fare (i.e. Airporter service)
- Toll Charges in excess of \$6.00
- "Captive Meal" and "Fixed Prices" as described in Section VI (a written explanation of circumstances and approval by the NHF President can suffice.)
- Parking, at standard parking rates for City visited

VIII. NON-REIMBURSABLE PERSONAL EXPENSE

Personal Expense- Any and all expenses that are for the direct personal needs of the Board Member, except as otherwise identified as reimbursable under this document, are not reimbursable by NHF. Examples of such non-reimbursable items are listed below. This is not intended to be an all-inclusive list.

- Personal telephone calls, internet charges and personal fax transmissions
- Alcoholic Beverages (Except as provided in connection with an NHF business related meeting or event)
- Entertainment (including related transportation costs)
- Violations of legal requirements

IX. CLAIM PROCESS

Completed claim forms are to be submitted to NHF within thirty (30) days after the completion of the trip/expense. Failure to adhere to the filing deadline may result in the denial of the reimbursement claim

The claim form must include the purpose of the trip/expense, and the inclusive dates. All expenditures must be itemized and all claims will include receipts for expenses as detailed earlier under the section titled **EXPENSE DOCUMENTATION**.

The claim information must include all expenses of the trip whether or not they were paid directly to a vendor. The claim form is intended to be a recap of the complete trip as a reconciliation of all expenses and a central location for all receipts. Those items paid in advance or by credit card should be duly noted.

Secretary's Certificate

*I certify that the foregoing is a true and accurate description of action taken at a properly constituted meeting of the Board of Directors of the National Homebuyers Fund, Inc. on **November 16, 2016.***

Secretary's Signature

Name _____

Phone Number

Provide documentation for expenses as required in the Travel and Expense Policy for Delegates. Mileage expenses may not exceed \$0.54 per mile. For lodging in the Sacramento area, reimbursement will include lodging expense, inclusive of room rate, occupancy tax and other fees, up to a maximum of \$112 per night. Meal allowances may not exceed \$8 for breakfast, \$12 for lunch, and \$25 for dinner without prior approval, except as noted in the Travel and Expense Policy.

Amount:

