

MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
REGULAR MEETING
June 27, 2019

Committee Members

Present: Jared Schmitt, Chairperson of Finance/Audit Committee
Michael Cicchetti (by phone)
Timothy Hodges
David Kooris, representing David Lehman, Commissioner of the
Department of Economic & Community Development (by phone)
Sarah Sanders, representing Shawn Wooden, State Treasurer
Matt Smith, representing Jorge Perez, Banking Commissioner

Committee Member

Absent: Franklin Perry II

Staff Present:

Joyce Ciampi, Director, Internal Audit
John Chilson, Director, Portfolio Management
Robert Hicks, Interim General Counsel
Sherry Lambert, Manager I, Strategic Planning
Allison Murphy, Director, Financial Reporting & Control
Hazim Taib, Chief Financial Officer

Others Present:

Robert Lamb, Lamont Financial Services, Financial Advisor
Kathleen Orlandi, Hawkins, Delafield & Wood, Co-Bond Counsel
Julian Quintanilla, Lamont Financial Services
John Wagner, Kutak, Rock, Co-Bond Counsel

Mr. Schmitt, Chairperson of the Finance/Audit Committee (the “Committee”), called the Committee meeting to order at 9:00 a.m., in the Executive conference room of CHFA’s offices, 999 West Street, Rocky Hill, Connecticut 06067.

Mr. Taib presented the recommendation to authorize the necessary preparations for the 2019 Series E Bond Issue for the single-family program. He stated that through June 17, 2019 CHFA has reserved and committed approximately \$157,000,000 of loans with a weighted average mortgage rate of 3.56%. This will be the third issuance in 2019 for the single-family program. Mr. Taib mentioned that the issue will generate about \$125,000,000 of lendable proceeds to finance and purchase approximately 701 single-family whole loans and/or mortgage backed securities. He stated that CHFA anticipates selling the bonds on or about July 16 and closing on or about August 8. RBC Capital Markets will act as the book running senior manager and Kutak Rock LLP and Lewis & Munday PC will act as co-bond counsel. In response to a question, Mr. Taib explained that an analysis is performed on prepayments and previously issued bonds to

determine the best option for CHFA at that time. Mr. Taib stated that at this time, there are tax and savings benefits to CHFA refunding the bonds.

Upon a motion made by Mr. Smith, seconded by Mr. Cicchetti, the Committee members voted unanimously in favor of recommending to the Board for consideration the resolution authorizing the commencement of necessary preparations for the 2019 Series E Bond Issue.

Ms. Murphy discussed the financial reports for May, 2019. She highlighted some of the variances and explained the reasons for the variances. In response to a question, Mr. Taib and Ms. Murphy explained the retroactive fees received from the U.S. Department of Housing and Urban Development (“HUD”) for the administration of several Section 8 projects. Mr. Taib noted that while CHFA recognized the fees due, for accounting purposes the receivable could not be booked until CHFA was paid by HUD. Ms. Murphy noted that approximately \$4,000,000 of the variance with fees and other income is non-recurring. Questions arose and there was a discussion about the overall budget projections. Mr. Taib explained that budget assumptions made by staff take into consideration that CHFA’s General Bond Resolution does not allow CHFA to incur operating costs in excess of the amount approved by the Board and presented to the Trustee. He stated that even when CHFA’s net position is above target, spending is kept as close to budget as possible. Mr. Taib noted that for transparency purposes, staff provides the Board with year over year comparisons and actual year to date information. There was a discussion about the vacant full-time equivalent positions. Mr. Taib stated that some positions are being or will be filled while others are being absorbed by existing staff. He mentioned that the full-time equivalent positions was reduced in the 2019 budget from 148 positions to 145.

Mr. Chilson reported on the delinquencies, and reviewed the purchases for the month of May. The delinquency rate for the combined portfolios of mortgage-backed securities and whole loans went down from the previous month. For the month of May, Mr. Chilson stated that CHFA closed seven new multifamily loans. He noted that permanent loan delinquencies decreased by one, and construction loan delinquencies increased by one loan. The combined multifamily permanent and construction delinquency rate is 4.56%.

Ms. Lambert discussed the monthly tracking report. She noted that there is no new multifamily funding being requested for June. Ms. Lambert stated that CHFA purchased 248 first mortgage loans and 76 downpayment assistance program (DAP) loans in May. She noted that first mortgage purchases are approximately 10 percent higher than May 2018.

Ms. Ciampi presented the 2019 Internal Audit Plan, noting that the audit work was in accordance with the plan presented to the Committee in February. She mentioned that the audit of the Multifamily Asset Management State Portfolio has been completed. The scope of the audit, key audit recommendations, and management’s responses are included as well as the internal audit report supplement. Internal Audit acknowledges management’s response and has no further recommendations. Ms. Ciampi stated that a servicer compliance review was completed for McCue Mortgage, CHFA’s largest servicer. She mentioned that Internal Audit has begun an audit on Dovenmuehle, a single-family loan subservicer, and a follow-up audit on the single-family delinquent and foreclosure monitoring process. The multifamily audit plan includes the review of the tax credit programs. Mr. Taib answered questions about McCue Mortgage and

stated that it services approximately 35 percent of CHFA's loans in comparison with the 50 percent it had several years ago. He stated that McCue Mortgage sold its origination platform and no longer originates new loans for CHFA. CHFA continues to work with McCue Mortgage on unresolved non-monetary compliance issues.

Mr. Schmitt asked the Committee members to consider the minutes from the May 30, 2019 meeting.

Upon a motion made by Ms. Sanders, seconded by Mr. Hodges, the Committee members voted in favor of adopting the minutes from the May 30, 2019 meeting as presented (Mr. Schmitt and Mr. Cicchetti abstained from the vote).

There being no further business to discuss, upon a motion made by Mr. Hodges, seconded by Mr. Smith and unanimously approved, the meeting was adjourned at 9:32 a.m.