

MINUTES  
FINANCE/AUDIT COMMITTEE OF THE  
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)  
REGULAR MEETING  
September 24, 2020

Committee Members

Present: Jared Schmitt, Chairperson of Finance/Audit Committee  
Jerrold Abrahams  
Timothy Hodges  
Catherine MacKinnon  
Jorge Perez, Banking Commissioner  
Sarah Sanders, representing Shawn Wooden, State Treasurer  
Glendowlyn Thames, representing David Lehman, Commissioner of the  
Department of Economic & Community Development

Committee Members

Absent: Franklin Perry II

Staff Present:

John Chilson, Director, Portfolio Management  
Joyce Ciampi, Director, Internal Audit  
Sherry Lambert, Manager, Planning, Development and Evaluation  
Allison Murphy, Director, Financial Reporting & Control  
Ed Myskowski, Director, Investment & Debt Management  
Hazim Taib, Chief Financial Officer

A roll call of committee members was conducted, and a quorum was present. By teleconference due to the COVID-19 public health crisis and in accordance with Governor Lamont's Executive Order 7B, Mr. Schmitt, Chairperson of the Finance/Audit Committee (the "Committee") called the meeting to order at 9:04 a.m.

Mr. Myskowski presented the Resolution for the Commencement of Necessary Preparations for the 2020 Series L Bond Sale Housing Mortgage Finance Program to authorize the issuance of bonds to continue financing single-family homeownership. Mr. Myskowski stated that the resolution is for the issuance of up to \$235 million of Housing Mortgage Finance Program Bonds. The actual amount of bonds to be issued for lendable proceeds is expected to be approximately \$80 million. The remaining issue will be used for funding previously issued bonds. The bond issue is expected to close by the middle of November depending on market conditions.

Upon a motion made by Ms. Sanders, seconded by Ms. MacKinnon, the members voted by roll call and were in favor of recommending to the Board the adoption of the Resolution for the Commencement of Necessary Preparations for the 2020 Series L Bond Issue (Single Family). The item passed unanimously.

Mr. Myskowski presented the Resolution Regarding the Indenture and State-Supported Special Obligation Bond Sale to authorize the issuance of up to \$60 million in state-supported special obligation bonds to fund up to eleven group homes and to refund outstanding special needs housing bonds. These bonds are issued under the Special Needs Housing Indenture. The bond issue is expected to close by the end of the year depending on market conditions

Upon a motion made by Mr. Hodges, seconded by Ms. MacKinnon, the members voted by roll call and were in favor of recommending to the Board the adoption of the Resolution Regarding the Indenture and State-Supported Special Obligation Bonds. The item passed unanimously.

Mr. Taib provided a brief report regarding the 2020 Series C bond sale that occurred in August, which was the Authority's first publicly offered bond sale post-COVID 19. Mr. Taib then introduced Cory Hoeppner of RBC Capital Markets to describe the sale.

Mr. Hoeppner provided highlights from the transaction, including a brief history of events leading up to the sale, the strong investor demand, the market timing and general timeline of the sale.

Ms. Murphy presented the financial reports for August, 2020. She stated that investment interest and mortgage loan revenue shortfalls continue to be driven by the reduction in single-family loan production and increase in single-family loan prepayments. Investment interest shortfalls are also being driven by the decrease in short-term investment rates. Ms. Murphy outlined the expenses through August, highlighting the areas with variances.

Mr. Chilson reported on the single-family whole loans purchased for the month of August, as well as the loans securitized. He stated that the average loan size was approximately \$191,300. The Authority saw a month-end mortgage security portfolio decrease from the previous month as well as a decrease in the whole loan portfolio. Mr. Chilson indicated that the overall delinquency rate for month over month increased by .39% to 2.70%.

Mr. Chilson reported that the Authority funded 58 Downpayment Assistance loans with an average of \$6,439 per borrower, for the month of August. With regard to single-family forbearance, Mr. Chilson indicated that for the month of July, whole loan forbearances declined from the prior month and approximately 44% of borrowers made their July payment despite being granted a forbearance. For the month of August, the number of forbearances further declined.

With regard to the multifamily portfolio, Mr. Chilson stated the Authority did not close any new loans for the month of August. The portfolio decreased by three loans to 541 loans, and the permanent loan delinquencies increased four loans to nine loans, and construction loan delinquencies remained at one loan. Mr. Chilson stated that to-date, the Authority has received eight loans signing forbearance agreements.

Ms. Lambert reported the monthly tracking report for September. She announced that three multifamily developments need more funding or new funding. Ms. Lambert commented that all three projects have a strategic impact to CHFA. In the area of single family, Ms. Lambert announced that in August CHFA purchased 132 first mortgage loans and 58 downpayment assistance program loans, both a decrease from the same reporting period last year. Ms. Lambert

stated that the Authority is seeing higher numbers in the prepayment area as the housing market in Connecticut is doing well.

Ms. Ciampi provided an update on the 2020 Internal Audit Plan for April 1, 2020 through September 24, 2020. Ms. Ciampi indicated that overall the Audit Department has seen a shift in its resources from assurance to consulting. In order to accommodate some additional audit requests and increased consulting services, certain audits will be deferred from the 2020 plan to the 2021 plan. Ms. Ciampi stated that a payroll audit has been completed and management has implemented or is in the process of implementing a number of the recommendations. The CEO had requested a review of the Housing Tax Credit Contribution (HTCC) Program to the 2020 plan and phase I of this audit has been completed. Ms. Ciampi announced that two audits are currently in process which include the audit of the monitoring of Dovenmuehle, Inc. (DMI), the Authority's subservicer, and a follow-up audit of the LIHTC allocation phase 1 audit that was completed last year. Ms. Ciampi stated that desk reviews of Santander and Berkshire banks are underway and are expected to be completed by year-end. She stated that Internal Audit continues to participate in consulting activities as listed in the updated 2020 audit plan. Upon request by a board member, Ms. Ciampi described the next steps in the audit process.

Mr. Taib discussed an Alternative Funding Strategy for the Single-Family Program. Mr. Taib stated that traditionally CHFA has funded its first-time homebuyer program through the issuance of tax exempt bonds. Due to COVID-19, an alternative funding strategy has emerged which may provide a better execution than bond financing. Mr. Taib provided a summary of the benefits and limitations to the new approach. Members spoke at length regarding the alternative funding strategy. In response to a question, Mr. Taib stated that a resolution is anticipated to be presented to the Board in October to approve a master trade agreement. Mr. Schmitt requested that an overview be provided to the Board.

Mr. Taib announced that an amendment will need to be made to the July 30, 2020 minutes to include Mr. Perry, who was inadvertently omitted from attendance at the meeting. Mr. Schmitt asked the Committee members to consider the minutes from the July 30, 2020 meeting as amended.

Upon a motion made by Mr. Hodges, seconded by Ms. Sanders, the members voted by roll call to adopt the minutes from the July 30, 2020 meeting as amended to include Mr. Perry as being present. (Ms. Thames was not present for the vote). All members present approved, and the motion passed.

There being no further business to discuss, upon a motion made by Ms. Sanders, seconded by Mr. Abrahams and unanimously approved, the meeting was adjourned at 10:28 a.m.