

MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
REGULAR MEETING
September 26, 2019

Committee Members

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

Committee Members

Absent: Timothy Hodges
Franklin Perry II

Other Board Member

Present: Seila Mosquera-Bruno, Commissioner of the Department of Housing and
Chairperson of CHFA

Staff Present:

Joyce Ciampi, Director, Internal Audit
John Chilson, Director, Portfolio Management
Peg Fitzgerald, Director, Government Relations
Robert Hicks, Interim General Counsel
Lisa Kidder, Director of Communications
Sherry Lambert, Manager I, Strategic Planning
Ed Myskowski, Director, Investment & Debt Management
Allison Murphy, Director, Financial Reporting & Control
Hazim Taib, Chief Financial Officer

Others Present:

Kathleen Orlandi, Hawkins, Delafield & Wood
Julian Quintanilla, Lamont Financial Services
Cory Hoepfner, RBC Capital Markets
Kevin Barney, Kutak Rock

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. Myskowski presented the recommendation to authorize the necessary preparations for the 2019 Series F Bond Issue for the single-family program, noting that this will be the fourth issuance in 2019 for the program. He mentioned that the issue will generate about \$125,000,000 of lendable proceeds, and CHFA anticipates issuing the bonds on or about October 29. The book running senior manager for the issue is Morgan Stanley.

Upon a motion made by Ms. Sanders, seconded by Mr. Kooris, the Committee members voted in favor of recommending to the Board for consideration the resolution authorizing the commencement of necessary preparations for the 2019 Series F Bond Issue (Mr. Cicchetti was not present for the vote).

Mr. Taib discussed the resolution authorizing the selection of a financial advisor. He noted that in accordance with State statutes and CHFA's Procedures, CHFA must solicit proposals for certain services, including financial advisor, at least once every three years. Mr. Taib mentioned that CHFA issued a Request for Proposals in July 2019. Despite being published on CHFA's Website and published in more categories than previous years on the State Department of Administrative Services contracting portable, Mr. Taib noted that only one response was received from the incumbent, Lamont Financial Services Corporation. He stated that there is no relationship between the incumbent and the Governor of the State. Mr. Taib explained some of the reasons CHFA may have only received one response and mentioned that that this year's RFP contained a question and answer section that addressed many of the potential respondents' questions in advance. In response to a question, Mr. Taib confirmed that the proposed increase in fees will be in year one, and thereafter will remain the same for the remainder of the term of the contract. He explained some of the basis for the increase in fees, including federal and regulatory changes imposed for municipal financial advisors that require more compliance and oversight in addition to Municipal Securities Rulemaking licensing.

Upon a motion made by Mr. Cicchetti, seconded by Ms. Sanders, the Committee members voted in favor of recommending to the Board for consideration the resolution regarding Financial Advisor for CHFA (Mr. Perez abstained from the vote noting that his vote is not reflective of the candidate but that he has not had the opportunity to read the information on the proposal).

Mr. Taib presented the multifamily funding initiative developed to help foster relationships with financial institutions in an effort to generate more affordable units or preserve existing units. He discussed the program parameters and noted that the 2019/2020 program will be used for projects that can achieve initial closing in 2020. Mr. Taib reviewed some of the risks associated with the program and explained the potential impacts the below-market interest rates would have on future earnings. He mentioned that investment trust account funds would be needed in addition to bonds. Mr. Taib briefly spoke about balancing volume cap allocation between single-family and multifamily and noted that this is a policy issue that should be discussed in more detail by the Board in the future. Mr. Taib mentioned that the program will reduce the amount of state funding required for projects.

Mr. Hoepfner from RBC Capital Markets, the book running manager for the 2019 Series D Bond issue, summarized the sale which consisted of both fixed rate and variable rate bonds. He discussed the market at the time of the sale. Mr. Hoepfner stated that CHFA continues to see diversification of sales from large and small investors and both retail and institutional investors, noting that Connecticut retail investors received priority. As a result of strong demand from investors, the interest rate on some of the maturities was reduced. Mr. Hoepfner discussed comparable pricing in the market and mentioned that CHFA's bonds were one of the lowest among any of the other housing finance agency bonds in the market.

Ms. Murphy discussed the financial reports for August, 2019. She stated that revenues through August 31 were slightly below budget but higher than the same time period for 2018. Fees and other income were over budget. Ms. Murphy explained the reasons for the variances. She reviewed expenses and explained the variances. Ms. Murphy mentioned that the change in net position was above target for the reporting period.

Mr. Chilson reported on the delinquencies, and reviewed the purchases for the month of August, noting that the loan average was \$190,184. He reviewed the whole loan and mortgage-backed security portfolios and mentioned that the delinquency rate for the combined portfolios went up slightly from the previous reporting period. For the month of August, Mr. Chilson stated that CHFA did not close any new multifamily loans. He stated that permanent loan delinquencies remained at five, and construction loan delinquencies remained at one. The combined multifamily permanent and construction delinquency rate was 1.01%. In response to a question, Mr. Taib stated that the lack of closing activity is due to timing.

Ms. Lambert discussed the monthly tracking report. She mentioned that staff will be presenting to the Mortgage Committee and Board a funding request for tax-exempt bonds for one multifamily development today. Ms. Lambert stated that CHFA purchased 281 first mortgage loans and 90 downpayment assistance program (DAP) loans in August which are lower than August 2018. She mentioned that information has also been provided on two waivers that have been granted by CHFA's Interim Executive Director based on reasonable circumstances for lenders who have less than 12 months' experience in making loans in Connecticut.

Mr. Schmitt asked the Committee members to consider the minutes from the June 27, 2019 meeting.

Upon a motion made by Mr. Cicchetti, seconded by Mr. Schmitt, the Committee members voted unanimously in favor of adopting the minutes from the June 27, 2019 meeting as presented.

There being no further business to discuss, upon a motion made by Mr. Cicchetti, seconded by Mr. Perez and unanimously approved, the meeting was adjourned at 9:35 a.m.