

MINUTES  
FINANCE/AUDIT COMMITTEE OF THE  
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)  
REGULAR MEETING  
April 25, 2019

Committee Members

Present: Jared Schmitt, Chairperson of Finance/Audit Committee  
Timothy Hodges  
David Kooris, representing David Lehman, Commissioner of the  
Department of Economic & Community Development  
Franklin Perry II  
Jorge Perez, Banking Commissioner  
Sarah Sanders, representing Shawn Wooden, State Treasurer

Committee Member

Absent: Michael Cicchetti

Staff Present:

John Chilson, Director, Portfolio Management  
Robert Hicks, Interim General Counsel  
Allison Murphy, Director, Financial Reporting & Control  
Ed Myskowski, Director, Investment & Debt Management  
Hazim Taib, Chief Financial Officer

Others Present:

Robert Lamb, Lamont Financial Services, CHFA's Financial Advisor  
Ronald Nossek, BlumShapiro, CHFA's External Auditor  
Kathleen Orlandi, Hawkins, Delafield & Wood, Co-Bond Counsel  
Alex Vlamis, cfX  
John Wagner, Kutak, Rock, Co-Bond Counsel

Mr. Schmitt, Chairperson of the Finance/Audit Committee (the "Committee"), called the 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 discussed the recommendation to authorize the issuance of multifamily mortgage revenue bonds, Series 2019A, Series 2019B and Series 2019C under the Housing Mortgage State-Supported Community Based Residential Facilities Finance Program (the "Program") for the financing of certain State-supported community-based residential facilities for persons of low and moderate income. He noted that this is the third issuance of bonds under the Program. Mr. Myskowski stated that the issue would consist of fixed rate new bonds and refunding of previously issued variable rate bonds. The facilities to be funded and refunded with the proceeds were listed in the material provided. Mr. Myskowski mentioned that the bonds will be 501 (c)(3) and are not backed by CHFA's credit or the State's credit and will be sold directly to Key Government Finance, Inc. In response to a question, Mr. Taib and Mr. Myskowski stated

that CHFA does some due diligence, but because this is a conduit issue, the oversight is not as rigorous as bonds issued under CHFA's credit. CHFA receives upfront compensation and monitors debt service in accordance with the agreements. Bond counsel for this issue is Locke Lord.

Upon a motion made by Ms. Sanders, seconded by Mr. Perry, the Committee members voted in favor of recommending to the Board the resolution authorizing the issuance of bonds to finance State-supported community based residential facilities secured solely from revenues of CIL Realty Incorporated, a non-profit corporation (Mr. Kooris was not present for the vote):

Mr. Taib provided an overview of the 2018 audited financial reports. He noted that the overall results did not vary from what was disclosed during the 2019 annual budget presentation provided in November to the Board. Mr. Taib stated that in 2018 CHFA purchased 3,206 single-family mortgage loans totaling approximately \$573.8 million and issued approximately \$85 million of loans for 1,744 affordable multifamily units. He mentioned that noncurrent mortgage receivables and investments increased and bonds payable increased in 2018. Mr. Taib spoke about profits and losses, net pension liability and Other Post Employment Benefit ("OPEB") liability pursuant to Government Accounting Standards Board ("GASB") 75. In response to a question, Mr. Taib explained the increase in provisions for losses, noting that a significant portion of the increase is attributable to the sale of distressed multifamily properties.

Mr. Taib introduced Mr. Nossek who discussed the 2018 audit results. Mr. Nossek stated that CHFA's financial statements fairly represent the operations of the agency. He noted that BlumShapiro did not find any material weaknesses or significant deficiencies and there were no instances of noncompliance. Under the federal single audit and State single audit there were no material weaknesses or significant deficiencies. Since a deficiency was found in the 2017 audit on the Emergency Mortgage Assistance Program ("EMAP"), BlumShapiro performed tests of the EMAP program to determine if the findings were addressed and resolved by management. No issues were noted in the current year, and the prior year finding had been resolved. In response to a question, Mr. Nossek stated that it is standard to perform tests in areas and/or programs for which the program management experienced high-level employee transitions during the year.

Mr. Nossek responded to a question about the OPEB liability and noted that the assumptions made in CHFA's financial statements came from the State's actuaries. He stated that BlumShapiro is comfortable with the assumptions made.

Mr. Taib stated that this is BlumShapiro's third year as external auditor for CHFA, and in accordance with State statutes, CHFA will issue a Request for Proposals for an external auditor in May with the expectation of making a recommendation to the Board in July.

Ms. Murphy discussed the financial reports for March, 2019. She reviewed the variances and explained the reasons for the variances. Ms. Murphy summarized that the change in net position for CHFA remains above target.

Mr. Chilson reported on the delinquencies, and reviewed the purchases for the month of March. He stated that the delinquency rate for the combined portfolios of mortgage-backed securities and whole loans went down from the previous month. For the month of March, Mr. Chilson stated that CHFA closed two new multifamily loans. He noted that permanent loan delinquencies increased to eight loans, and construction loan delinquencies increased to two loans. The combined multifamily permanent and construction delinquency rate is 5.23%. Mr. Chilson stated that the significant increase in the multifamily delinquency rate is due to the early stage delinquency of a project in Bridgeport which should get resolved. It was noted that the developer of the multifamily project experiencing early delinquency has been made aware that CHFA will not be providing any additional funding.

Mr. Myskowski presented the quarterly investment and swap reports. He reported that the investment report reflects an increase in book value from the last quarter. Mr. Myskowski stated that quarter over quarter, the weighted yield to maturity went up due to an increase in short-term rates and mortgage-backed securities. With the swaps, Mr. Myskowski mentioned that the report shows a hedging position greater than last quarter. He mentioned that CHFA increased its number of swaps by 2 and its counterparties by 1.

In the absence of Ms. Lambert, Mr. Taib discussed the monthly tracking report. He mentioned that recommendations for the awarding of 9% Low-Income Housing Tax Credits from the 2019 round will be presented to the Board today for consideration and will appear on the May monthly tracking report. Mr. Taib stated that CHFA purchased 243 first mortgage loans and 62 downpayment assistance program (DAP) loans in March. First mortgage purchases and DAP loans are both lower than March 2019. He explained that it is likely that purchases were higher last year at this time because changes to the DAP program became effective April 1, 2018, and there was an urgency to get applications in before the changes were made. Mr. Taib stated that even though home sales nationally have dropped, CHFA continues to see a strong demand.

Mr. Schmitt asked the Committee members to consider the minutes from the February 28, 2019 meeting.

Upon a motion made by Ms. Sanders, seconded by Mr. Kooris, the Committee members voted unanimously in favor of adopting the minutes from the February 28, 2019 meeting as presented.

Mr. Schmitt asked the Committee members to consider the minutes from the March 28, 2019 meeting.

Upon a motion made by Mr. Perry, seconded by Mr. Kooris, the Committee members voted in favor of adopting the minutes from the March 28, 2019 meeting as presented (Mr. Hodges and Mr. Schmitt abstained from the vote).

There being no further business to discuss, upon a motion made by Mr. Perry, seconded by Ms. Sanders and unanimously approved, the meeting was adjourned at 9:29 a.m.