

MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
REGULAR MEETING
January 31, 2024

Committee Members

Present: (Virtually) Jerry Abrahams
Philip DeFronzo
Timothy Hodges
Catherine MacKinnon
Jorge Perez, Banking Commissioner
Franklin Perry, II
Chelsea Ross
Sarah Sanders, Chairperson of Finance/Audit Committee and Deputy
Treasurer, representing Erick Russell, State Treasurer

Directors Present: (Virtually) Seila Mosquera-Bruno, Chairperson of CHFA and Commissioner
of the Department of Housing
Matthew Pugliese, Deputy Commissioner, representing Daniel O’Keefe,
Commissioner of the Department of Economic and Community
Development

CHFA Participants: (In Person) John Chilson, Director, Portfolio Management
Joyce Ciampi, Director, Internal Audit
Ningyan Li, Capital Markets Operations Manager
Allison Murphy, Director, Financial Reporting and Control
Hazim Taib, Chief Financial Officer

(Virtually) Theresa Caldarone, General Counsel
Nandini Natarajan, CEO-Executive Director

Other Participants: (Virtually) Thomas Goldfuss, Engagement Partner, Whittlesey
Lindsay Tessler, Engagement Manager, Whittlesey

Deputy Treasurer Sanders, Chairperson of the Finance/Audit Committee (“the Committee”), called the meeting to order at 9:01 a.m. A roll call of committee members was conducted and a quorum was present.

Mr. Taib presented the resolution authorizing CHFA to issue up to \$175,000,000 of housing mortgage finance program bonds to raise additional lending proceeds for about 715 first-time homebuyers. As of January 19th, CHFA had an aggregate net pipeline of about \$286,000,000. CHFA will utilize a fixed rate structure for the sale and expects to close around March. Bank of America Securities has been assigned as the book running manager for the bonds.

Upon a motion made by Ms. MacKinnon, seconded by Mr. Hodges, Finance/Audit Committee members voted unanimously in favor of recommending to the Board of Directors for consideration the Resolution for the Commencement of Necessary

Preparations for the 2024 Series A Bond Sale - Housing Mortgage Finance Program.

Mr. Taib presented the resolution regarding funding of the Opportunity Fund. Last November, the Authority solicited feedback from members regarding the funding ratio for the Opportunity Fund. Based on the Authority's analysis, and to meet the needs of the 2024 Strategic Plan, the Authority is recommending a one-time transfer from the Investment Trust Account to the Opportunity Fund totaling \$5,546,499 and to increase the funding ratio to the Opportunity Fund from 50% to 75% of the net interest margin. The Committee requested that the resolution be amended to reflect that 75% of Net Earnings will be transferred into the Opportunity Fund for only one year and that staff will seek approval from the Board prior to any future transfers of Net Earnings into the Opportunity Fund.

Upon a motion made by Mr. Hodges, seconded by Mr. Perez, the Finance/Audit Committee members voted unanimously in favor of recommending to the Board of Directors for consideration the Resolution Regarding the Funding of the Opportunity Fund as amended to reflect that the funding ratio to the Opportunity Fund at 75% will be for one year.

Mr. Taib presented the Resolution Regarding Carryover of State Bond Allocation stating that last December, the State Bond Commission awarded CHFA \$99,057,840 of unused 2023 Private Activity Bond Volume Cap. To preserve the award, the Internal Revenue Code requires CHFA to file a carryforward application by February 15th. The recommendation is for approval to carry forward 100% of the award for homeownership. In addition, on December 19th, the Census Bureau released the State's 2023 projected population number, which was lower than the prior year. The decrease impacted CHFA's 2024 tax exempt volume cap allocation and the 9% Low-Income Housing Tax Credit calculation. The Lending Plan has been updated accordingly.

Upon a motion made by Ms. MacKinnon, seconded by Mr. Hodges, the Finance/Audit Committee members voted unanimously in favor of recommending the Resolution Regarding the Carryover of State Bond Allocation to the Board of Directors for consideration.

Mr. Taib summarized the audit process and introduced Mr. Thomas Goldfuss and Ms. Lindsay Tessler from Whittlesey who provided an overview of the 2023 Audit Plan of CHFA's financial statements.

Ms. Murphy presented the preliminary financial reports for December 2023 stating that mortgage loan and investment interest revenue are \$23,100,000 above budget for the year and \$47,900,000 higher than prior year. The revenue variances continue to be primarily driven by the increase in interest rates on the Authority's short-term investments. The bond interest expense is \$1,100,000 below budget for the year and \$26,800,000 higher than last year. Outstanding bonds are higher than the same time last year by \$226,000,000 and interest rates on the Authority's variable rate bonds have also increased. Servicer fees are \$7,300,000 above budget for the year and \$8,700,000 higher than last year. The large increase in single family production is the main driver behind the variances. Administrative expenses are \$6,200,000 below budget for the current year and \$2,600,000 higher than last year. Ms. Murphy also reported that, excluding salaries and benefits

of \$29,400,000, current year-to-date administrative expenses are \$240,000 higher than last year. The change in net position is above target by \$27,700,000.

Mr. Chilson presented the December 2023 delinquency and forbearance reports for the single-family and multifamily programs. He summarized the single-family whole loans purchased and loans securitized for December and noted that the mortgage backed portfolio security balance ended the month at \$2,600,000,000 which was \$48,500,000 more than November. The whole loan portfolio through November declined by 41 loans or \$4,200,000 ending with a total portfolio balance of \$1,100,000,000. The overall single family delinquency rate decreased by 6 basis points to 1.34% and the year over year loans in foreclosure declined by \$10,000,000 to \$11,800,000 and the number of loans declined year over year by 88. For the month of December, the Authority funded 340 Downpayment Assistance loans totaling \$5,700,000 with an average loan size of \$16,900. CHFA also funded 252 Time To Own forgivable loans totaling \$7,900,000 with an average loan size of \$31,300.

Mr. Chilson reported that there were 6 new loan closings in the multifamily portfolio in December increasing the portfolio size to 580 loans totaling \$1,300,000,000. There were 9 loans with a delinquency status and the overall delinquency rate for our multifamily portfolio was less than one half of one percent.

Ms. Li presented the quarterly investment and swap reports. For the 4th quarter of 2023, the Authority's investment portfolio increased in book value by \$167,000,000 to \$3,800,000,000. Program assets also grew by \$193,000,000 to \$2,600,000,000. The weighted average yield to maturity was 4.06%, up from 3.93% in the prior quarter. The swap notional total was \$924,800,000, a decrease of \$11,000,000 from the prior quarter due to swap amortization. There are 42 swaps with 8 counterparties, same as prior quarter. The weighted average pay rate by the Authority decreased from 2.992% in the 3rd quarter to 2.961% in the 4th quarter. Mark-to-market value decreased from about \$69,000,000 to \$25,000,000.

Ms. Ciampi summarized internal audit activities for the second half of 2023 which included completion of the homebuyer mortgage loan origination audit and consulting and advisory services. Ms. Ciampi also presented committee members with an overview of the 2024 Internal Audit Plan, which will include the backend of the homeownership business functions, as well as, the multifamily development cost certification process.

Ms. Sanders requested a motion to approve the minutes of the November 30, 2023 Finance/Audit Committee meeting.

Upon a motion made by Mr. Abrahams, seconded by Ms. MacKinnon, the Finance/Audit Committee members voted unanimously in favor of approving the November 30, 2023 Finance/Audit Committee minutes.

There being no further business to discuss, the meeting adjourned by unanimous consent at 10:01 a.m.