

MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
REGULAR MEETING
February 22, 2018

Committee Members

Present: Michael Cicchetti (by phone)
Timothy Hodges
Catherine LaMarr representing Denise Nappier, State Treasurer
Jorge Perez, Banking Commissioner
Catherine Smith, Commissioner, Department of Economic & Community
Development

Committee Members

Absent: Jared Schmitt, Chairperson of Finance/Audit Committee
Nuala Droney

Staff Present:

Joyce Ciampi, Director, Internal Audit
John Chilson, Director, Portfolio Management
William Dickerson, General Counsel
Sherry Lambert, Manager, Research and Analysis
Allison Murphy, Director, Financial Reporting and Control
Ed Myskowski, Director, Investment & Debt Management
Hazim Taib, Chief Financial Officer

Others Present:

Sharon Brown, Hawkins, Delafield & Wood, Co-Bond Counsel
Barbara Feldman, Bank of America Merrill Lynch
Robert Lamb, Lamont Financial Services, Financial Advisor
Joe Monitto, Bank of America Merrill Lynch
John Wagner, Kutak, Rock, Co-Bond Counsel

In the absence of the Chairperson of the Finance/Audit Committee (the "Committee"), Ms. LaMarr 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.

Ms. LaMarr asked Mr. Taib to discuss the 2018 Series A bond sale. Mr. Taib introduced Barbara Feldman and Joe Monitto from Bank of America Merrill Lynch, the bookrunner for the issue. Ms. Feldman summarized the transaction noting that CHFA's bonds were the first sizeable municipal single-family housing transaction in the country since tax reform was implemented. She stated that the transaction was structured similarly to other transactions. Ms. Feldman discussed the conditions of the market at the time of the sale, noting the extreme volatility in the market and summarized that in spite of the volatility and uncertainty with investor support with the passage of tax reform, CHFA's bonds were well received and CHFA's bonds were not affected. She stated that CHFA's bonds were originally set to be priced over two days but because of the volatility in the market and the strong investor demand the bonds were priced in one day.

Mr. Taib stated that even with the strength of CHFA's bonds and CHFA's reputation in the market, it was difficult to predict how investors would react. As a result of a successful sale, Mr. Taib mentioned that CHFA can continue to offer below market rate loans to its single-family borrowers. Mr. Monitto explained how the changes in the tax laws could impact both retail and institutional investors. In response to a question, Mr. Taib stated that CHFA has been successful in the past with managing the pipeline of reservations and bonds to avoid negative arbitrage, and it is difficult to predict how investors will view municipal housing bonds in the future.

Mr. Taib discussed the financial reports for January 2018, noting that when the budget was developed staff tried to tighten the assumptions. He stated that this is the first operating month and results from certain revenues and expenses should be taken at face value since budgeted amounts are spread over 12 months. In response to a question, Mr. Taib stated that CHFA's budget assumptions were based on the Federal Reserve increasing interest rates.

Mr. Taib discussed the delinquencies for CHFA's loans. He noted that approximately 89% of CHFA's single-family production in January is mortgage-backed securities and approximately 11% whole loans. The delinquency rate for the combined portfolios of mortgage-backed securities and whole loans is 5.10%. Mr. Taib stated that CHFA did not close any multifamily loans in January and the multifamily loans approved over the last several months should be closing by late summer or early fall.

Ms. Lambert reviewed the monthly tracking report. She summarized the recommendation that will be presented today at the Mortgage Committee and Board meetings under the multifamily program for tax-exempt bonds and 4% low-income housing tax credits for a development in Canton. She noted that the Small Loan Committee had approved two small loans for Investment Trust Account ("ITA") funding, and the developments are now being presented for modification and additional ITA funding. Ms. Lambert discussed the homeownership program and mentioned that for the month of January, CHFA purchased 230 first-time homebuyer loans and 122 DAP loans, which is slightly lower than January 2017. Mr. Taib mentioned that there has been a slight shift in the trend for reservations over the last two years and December has become the slowest month while January has been picking up.

Ms. LaMarr asked the Committee members to consider the minutes from the January 25, 2018 meeting.

Upon a motion made by Ms. Smith, seconded by Mr. Perez, the Committee members voted unanimously in favor of adopting the minutes from the January 25, 2018 Committee meeting as presented.

There being no further business to discuss, upon a motion made by Mr. Perez, seconded by Ms. Smith and unanimously approved, the meeting was adjourned at 9:22 a.m.