

MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (“CHFA”)
REGULAR MEETING
May 18, 2010

Committee Members

Present: Philip Smith representing Brenda Sisco, Secretary, State Office of Policy and Management, and Chairperson of CHFA Finance/Audit Committee
Howard Pitkin, State Banking Commissioner
J. Scott Guilmartin
Meghan Lowney (by phone)
Kimberly Neilson
Howard Rifkin for Denise Nappier, State Treasurer

Committee Members

Absent: Rolan J. Young, Chairperson of the CHFA Board
Orest T. Dubno, Vice Chairperson of CHFA Board

Mr. Smith called the regular meeting of the Finance/Audit Committee (the “Committee”), to order at 10:30 a.m. in the Board room of CHFA’s offices, 999 West Street, Rocky Hill, Connecticut.

Mr. Smith asked the Committee members to consider the minutes from the April 20, 2010 meeting.

Upon a motion made by Mr. Guilmartin, seconded by Ms. Neilson, the Committee members voted unanimously in favor of adopting the minutes from the April 20, 2010 meeting, as presented.

Mr. Myskowski, CHFA Investment & Debt Management Officer, provided an update on the Request for Proposals (“RFP”) process for financial advisor. He mentioned that five firms responded to the RFP. Mr. Myskowski summarized that three of the firms are well established firms that have submitted proposals in the past, two of which are full-service firms that have experience in both financial advisory services as well as swap services. He indicated that two of the firms are smaller startup minority or women-owned firms. The two firms are not based in Connecticut but have an office in Connecticut. A discussion ensued about the two firms’ presence in Connecticut. Mr. Myskowski stated that in addition to the summary of the proposals provided, there is a fee comparison analysis based on different scenarios. After consultation with the Treasurer’s office, it is recommended that all five firms be interviewed. Mr. Myskowski reviewed the proposed schedule for selection of a financial advisor, noting that interviews will be held in June and a recommendation will be made to the Finance/Audit Committee and Board at the June meetings. A representative from the Treasurer’s office will participate in the interview process. Mr. Pitkin questioned whether any of the firms that submitted proposals were directly

involved with the subprime mortgage market. Mr. Myskowski stated that he does not believe that any of the firms were involved but will confirm.

Mr. Myskowski discussed the recommendation to solicit proposals for an outside auditor. He noted that it has been approximately three years since the last RFP was issued for outside auditors. In accordance with state statutes, an outside auditor cannot serve for more than six consecutive fiscal years, and BlumShapiro has conducted financial audits for CHFA for six consecutive years. Therefore, CHFA has to select a new outside auditor for this year's audits. CHFA intends to issue the RFP in June and preliminarily review proposals with the Finance/Audit Committee at the July meeting. It is anticipated that a recommendation by the Finance/Audit Committee will be presented to the Board for consideration in August. Staff would like to have a new auditor in place in September to begin the subsidiary audits that end September 30. Mr. Myskowski explained that staff will send the RFP to firms that have previously submitted responses or indicated a desire to work with CHFA in the past. Additionally, names of firms were obtained from several public auditing websites, the Connecticut State Board of Accountancy, etc. All of the firms have an office in the State of Connecticut but not all of the firms are based in Connecticut. Mr. Rifkin suggested contacting other national organizations that have a Connecticut chapter or other local organizations to try to outreach and provide opportunities for minority and women-owned accounting firms. Staff will research local publications for posting the RFP for an outside auditor.

Upon a motion made by Ms. Neilson, seconded by Mr. Pitkin, the Committee members voted unanimously in favor of recommending to the Board for consideration the resolution regarding authorization to issue Request for Proposals for an outside auditor.

Mr. Bannon, CHFA President – Executive Director, presented the revised resolution regarding authorization to sign documents for third party activities. He explained that the resolution was amended to respond to concerns that it was too broad and had too many signatories. Mr. Bannon stated that the original resolution authorized five signatories. While the titles in the resolution have been corrected, the number of authorized signatories has not increased. The chart attached to the resolution specifies the areas of responsibility for each authorized signatory, and no one area has more than four authorized signatories for third party activities. Mr. Bannon mentioned that the President – Executive Director and the General Counsel are authorized signatories for all areas of third party activities. Mr. Guilmartin stated that he still has some concerns with the number of authorized signatories. Mr. Rifkin indicated that the proposed practice for authorized signatories for CHFA is similar to the practice used at the State Treasurer's office.

Upon a motion made by Mr. Rifkin, seconded by Mr. Pitkin, the Committee members voted unanimously in favor of recommending to the Board for consideration the resolution regarding authorization to sign documents.

Mr. Craford provided an update on the 2010 Series C bonds. He mentioned that \$35,000,000 of taxable floating rate 20-year bonds were sold to Citi. The transaction closed within two weeks of being authorized by the Board in order to meet the time frame needed by Citi. Citi bought the bonds to help satisfy CRA requirements in their area. Mr. Craford explained that in order to accomplish this, CHFA mortgages originated in Citi's assessment area, consisting of parts of

Fairfield county, will be re-assigned to the new bonds and will free up capacity in other series of taxable bonds. Mr. Rifkin stated that he believed that the result of this transaction would benefit the multifamily area and provide more capacity for multifamily housing, especially for those projects that cannot be financed with 9 percent low-income housing tax credits. Mr. Craford clarified that this transaction freed up capacity for other taxable bond issues which could be used for either multifamily or single family. He stated that if there are not enough viable multifamily developments, the funds can be used for single-family. Mr. Craford noted that the use of the bonds for the warehousing facility for single-family mortgages is a temporary short-term purpose. He stated that because the bonds are taxable, the funds can be reused and are not subject to the Internal Revenue Services rules for tax-exempt bonds.

Mr. Craford provided highlights from the first quarter of the 2010 financial reports. In general, Mr. Craford stated that CHFA is on target with budget projections. He noted that most variances are timing issues. Mr. Craford mentioned that staff is currently working with the outside auditor and financial advisor related to the implementation of GASB Statement No. 53 for the accounting and financial reporting of derivative instruments which must be implemented in 2010. Mr. Craford indicated that staff will try to incorporate the changes in the next quarterly report. Mr. Pitkin questioned whether the expiration of the \$8,000 federal tax credit for single-family homeownership will affect the demand for CHFA single-family loans. Mr. Craford stated that he expects to see a drop in the demand for CHFA single-family mortgages as a result of the expiration of the federal tax credit, but that drop would probably be temporary.

Ms. Lambert, CHFA Manager of Research and Analysis, provided highlights from the May 2010 Monthly Tracking Report. She mentioned that there was no new activity in the area of rental housing development. However, there are two projects in the area of portfolio preservation—Quebec Square and Trumbull Centre, both requesting Investment Trust Account funds. In the homeownership area, 208 loans were purchased, and the five-year average goal is 215. She noted that single-family reservations and commitments are ahead of goal at this point.

Mr. Craford reviewed the report comparing the delinquencies and foreclosures through March 31, 2010. He mentioned that there was a significant improvement, particularly in the shorter-term delinquencies. Mr. Craford noted that the seasonal element of the delinquencies is different from last year. Mr. Rifkin questioned whether the delinquency rates trend with unemployment rates. Mr. Craford stated that the delinquency rates typically track with unemployment rates.

There being no further business to discuss, upon a motion made by Mr. Pitkin, seconded by Mr. Rifkin and unanimously approved, the meeting was adjourned at 10:57 a.m.