

DRAFT MINUTES  
FINANCE/AUDIT COMMITTEE OF THE  
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)  
REGULAR MEETING  
February 28, 2019

Committee Members

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

Committee Member

Absent: Michael Cicchetti

Staff Present:

Theresa Caldarone, Assistant Director, Legal  
Joyce Ciampi, Director, Internal Audit  
John Chilson, Director, Portfolio Management  
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:

Robert Lamb, Lamont Financial Services, Financial Advisor (by  
phone)  
Kathleen Orlandi, Hawkins, Delafield & Wood, Co-Bond Counsel  
Michael Koessel, Citigroup  
Arthur Akhtenserg, Citigroup  
John Wager, Kutak Rock, Co-Bond Counsel

Jared Schmitt called the meeting of the Finance/Audit Committee to order at 9:00 a.m., in the Executive conference room of CHFA's offices, 999 West Street, Rocky Hill, Connecticut 06067.

Mr. Koessel representing Citigroup, the lead underwriter for CHFA's 2019 Series A bonds, summarized the sale. As a result of a significant amount of bonds anticipated to be in the market during the week of February 11, Mr. Koessel noted that CHFA sold its bonds on February 5. Despite other state housing bonds being in the market the same day, he stated that CHFA's bonds received significant interest from both retail and institutional investors, particularly from CT retail investors. He explained how the issue and bonds were pre-marketed through a wire to assist in pricing on an accelerated marketing schedule. Mr. Koessel reviewed the rates on the bonds and noted that the strong retail demand provided the opportunity for a favorable adjustment of the interest rates on some of the maturities. He described the structure developed to sell the unsold bonds that resulted in no further price adjustments. The closing on the bonds will occur on March 5.

Ms. Murphy discussed the financial reports for January 2019, highlighting the areas of variance. She noted that much of the variance with interest revenue and expenses is due to the timing of bond sales. Ms. Murphy summarized that the change in net position is slightly above target.

Mr. Chilson provided highlights from the delinquency reports, and reviewed the purchases for the month of January. He stated that the delinquency rate for the combined portfolios of mortgage-backed securities and whole loans is approximately 4.00%. No new multifamily loans were made in January, and Mr. Chilson mentioned that the combined multifamily permanent and construction delinquency rate is 1.79%. Mr. Taib explained how a majority of loans are converted to mortgage-backed securities and categorized for accounting purposes as investments even though they are loans that get repaid.

Ms. Lambert reviewed the monthly tracking report. She noted that there are no new multifamily funding recommendations this month. Ms. Lambert stated that CHFA purchased 281 first mortgage loans and 86 downpayment assistance program (DAP) loans in January. First mortgage purchases are higher than January 2018, and DAP loans are lower than January 2018. Staff will continue to monitor the price softening trend as it is difficult to predict how it will impact CHFA's lending. Ms. Lambert mentioned that CHFA is well positioned to operate in this type of market.

Ms. Ciampi mentioned that the audit activity performed during the period is provided in the material along with the updated 2018 audit plan based on actual audits performed. She summarized that the audits performed included a large scope review of the private portfolio of multifamily asset management (318 developments). The details of the audit are included in the material provided. Ms. Ciampi stated that a servicer compliance review was completed for KeyBank National Association.

Ms. Ciampi presented the 2019 Internal Audit Plan. She stated that the plan is a subset of audits from the audit portfolio which typically follows business transaction flows. Ms. Ciampi summarized the audits that are anticipated to be included in 2019. She encouraged Finance/Audit Committee members to contact her with any issues, concerns or segments to include in the audit plan for 2019. In response to a question about the review of servicers, Ms. Ciampi mentioned that internal audit reviews the 12 servicers that service approximately 95 percent of CHFA's loans and will move to a three year rotation for servicers selected for review. The Finance/Audit Committee members asked for a breakdown of the servicers and percentage of loans serviced by each servicer.

Mr. Schmitt asked the Finance/Audit Committee members to consider the minutes from the January 31, 2019 meeting.

Upon a motion made by Mr. Kooris, seconded by Mr. Smith, the Finance/Audit Committee members voted in favor of adopting the minutes from the January 31, 2019 Finance/Audit Committee meeting as presented (Ms. Sanders abstained from the vote).

There being no further business to discuss, upon a motion made by Mr. Perry, seconded by Mr. Smith and unanimously approved, the meeting was adjourned at 9:28 a.m.