

MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
REGULAR MEETING
January 28, 2021

Committee Members

Present: Sarah Sanders, representing Shawn Wooden, State Treasurer, Chairperson of Finance/Audit Committee
Jerrold Abrahams
Timothy Hodges
Catherine MacKinnon
Jorge Perez, Banking Commissioner
Franklin Perry, II
Glendowlyn Thames, representing David Lehman, Commissioner of the Department of Economic & Community Development

Staff Present:

Theresa Caldarone, General Counsel
John Chilson, Director, Portfolio Management
Joyce Ciampi, Director, Internal Audit
Sherry Lambert, Manager, Planning, Development and Evaluation
Allison Murphy, Director, Financial Reporting & Control
Ed Myskowski, Director, Investment & Debt Management
Hazim Taib, Chief Financial Officer

A roll call of committee members was conducted, and a quorum was present. By teleconference due to the COVID-19 public health crisis and in accordance with Governor Lamont's Executive Order 7B, Ms. Sanders, Chairperson of the Finance/Audit Committee, called the meeting to order at 9:00 a.m.

Mr. Myskowski presented the Amending Resolution for the 2021 Series A Bond Housing Mortgage Finance Program Bond Sale. Mr. Myskowski stated that the amendment increases the bond issuance authorization to up to \$270 million in bonds from the original authorization of up to \$150 million in bonds. Mr. Myskowski explained that since the Board approved the resolution in November, prepayments have continued at an elevated rate and interest rates have remained historically low. Increasing the amount of bonds will allow the Authority to refund additional outstanding bonds to generate savings on debt service and preserve volume cap, while still providing a source of bond proceeds to fund single family homeownership loan purchases. Mr. Myskowski stated that the bond issue is expected to close by the end of February depending on market conditions, and Citigroup will continue to be the bookrunner.

Upon a motion made by Ms. MacKinnon and seconded by Mr. Perry, the members voted by roll call in favor of recommending to the Board the Amending Resolution for the 2021

Series A Housing Mortgage Finance Program Bond Sale. The item passed. Mr. Perez abstained.

Mr. Taib provided an overview regarding the Carryover of the State Bond Allocation. Mr. Taib stated that in December 2020, the State Bond Commission awarded the Authority \$105,962,174 of unused 2020 Private Activity Bond Volume Cap. Mr. Taib stated that to preserve the award, the Internal Revenue Code requires a carryforward application be filed by February 15. The Authority is recommending approval to carry forward \$100 million for multifamily and the remainder for single family. Mr. Taib further stated that on December 20th, the Census Bureau announced that the State population dropped, impacting the CHFA 2021 tax exempt volume cap allocation and the 9% Low Income Housing Tax Credit calculation. The 2021 Lending Plan has been updated accordingly.

Upon a motion made by Mr. Perez and seconded by Mr. Abrahams, the members voted by roll call in favor of recommending to the Board the Resolution Regarding Carryover of State Bond Allocation as described by Mr. Taib. The item passed unanimously.

Mr. Taib presented the Resolution Regarding the External Auditor for the Authority. Mr. Taib stated that in late 2020, BlumShapiro joined CliftonLarsonAllen, which became effective January 1, 2021. Mr. Taib stated that pursuant to the Authority's Act and Procedures, the Authority would like to ratify and seek approval from the Board to appoint CliftonLarsonAllen as the Authority's new external auditor for a term not to exceed BlumShapiro's existing engagement.

Upon a motion made by Mr. Hodges and seconded by Ms. MacKinnon, the members voted by roll call in favor of recommending to the Board the Resolution Regarding External Auditor for the Authority. The item passed unanimously.

Mr. Taib provided a brief background regarding the Authority's Audit Plan, explaining that the Authority's auditor is required to present the Audit Plan for the last business cycle to the Finance/Audit Committee and Board. Mr. Taib introduced Ronald Nossek, who provided a high level overview of the Authority's 2020 Audit Plan which, included a brief outline of the objectives and scope, timeline, approach and areas of focus for the review.

Ms. Murphy presented the financial reports for December, 2020 noting that the report is preliminary as the Authority is still in the process of closing the books and expects a few more adjustments. She stated mortgage loan and investment interest revenue shortfalls continue to be driven by the reduction in single-family loan production and an increase in single-family loan prepayments. Investment interest revenue shortfalls are also being driven by the decrease in rates on short-term investments. Ms. Murphy outlined the expenses through December, highlighting the areas with variances.

Mr. Chilson reported on the single-family whole loans purchased for the month of December, as well as the loans securitized. He stated that the average loan size was \$193,000. The Authority saw a month-end mortgage backed security portfolio decrease from the previous month as well as a decrease in the whole loan portfolio. Mr. Chilson indicated that the overall delinquency rate for month over month increased by 0.29% to 3.65%. Mr. Chilson reported that the Authority funded sixty-one downpayment assistance loans with an average loan of \$6,300 per borrower for the month of December. Mr. Chilson indicated that as of the end of November, whole loan borrowers in forbearance declined from the prior month, and declined further by the end of December.

Mr. Chilson stated the Authority closed one new multifamily loan in the month of December increasing the portfolio by one to 550 loans. Permanent loan delinquencies increased by one loan to a total of ten and construction loan delinquencies saw a decrease of one loan to a total of two. Mr. Chilson stated that there were no new multifamily forbearances in December, further noting that since the Board authorized the Authority to provide forbearances, agreements were executed with seven multifamily projects across eight loans.

Mr. Myskowski provided the quarterly update of the investment and swap reports. He stated that the report reflects a decrease in book value by approximately \$7 million to \$3.38 billion from the previous quarter. Mr. Myskowski stated that the decrease is due to bonds being issued in November, debt service being paid in November, and bonds called in December. Mr. Myskowski stated that the swap report shows a hedging position of thirty-nine swaps with nine counterparties totaling \$930.7 million notional amount, which is \$70 million lower than the previous quarter. The Authority decreased its number of swaps by one. The number of swap counterparties remained the same since last quarter. The weighted pay rate by the Authority increased to 3.107% from 3.079% and the mark-to-market value increased to a negative \$184.1 million from a negative \$213.7 million.

Ms. Lambert reported the monthly tracking report for January. She announced that there are no multifamily developments to discuss for January. Ms. Lambert announced that for 2020, in the area of homeownership, the Authority purchased a total of 1,636 first mortgage loans and 731 downpayment assistance loans, both a decrease from 2019. Ms. Lambert noted that home sales are currently down in the Authority's market. Discussion ensued with respect to market conditions in Connecticut; a lack of inventory available for first time homebuyers; low interest rates and options for increasing the purchasing power of CHFA's end users.

Ms. Ciampi provided an update on internal audit activities occurring since October. Activities included a follow-up audit of the Low Income Housing Tax Credit Allocation Process which has been completed and the results have concluded that the majority of audit recommendations have been addressed. Ms. Ciampi stated that an audit of the Monitoring of Dovenmuehle Mortgage, Inc. (DMI) was also completed and provided a description of the scope of the review. Ms. Ciampi stated that servicer compliance reviews of Santander and Berkshire Bank in the form of desk

reviews were also conducted. Ms. Ciampi briefly described consulting activities conducted by the audit team. Ms. Ciampi also presented members with a detailed overview of the 2021 Internal Audit Plan.

Ms. Sanders requested a motion to approve the minutes of the November 19, 2020 Finance/Audit Committee meeting.

Upon a motion made by Mr. Hodges and seconded by Ms. MacKinnon the members voted by roll call to adopt the minutes from the November 19, 2020 meeting. Motion passed unanimously.

Mr. Taib announced that this meeting is Mr. Myskowski's last as he has retired after 24 years of service to the Authority. Mr. Taib expressed gratitude for Mr. Myskowski's work over the years. Ms. Sanders expressed a personal thanks to Mr. Myskowski.

There being no further business to discuss, a motion was made to adjourn the meeting. All members were in favor. The meeting adjourned at 9:58 a.m.