

DRAFT MINUTES  
FINANCE/AUDIT COMMITTEE OF THE  
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)  
REGULAR MEETING  
January 30, 2020

Committee Members

Present: Jared Schmitt, Chairperson of Finance/Audit Committee  
Timothy Hodges  
Sarah Sanders, representing Shawn Wooden, State Treasurer  
Jorge Perez, Banking Commissioner  
Franklin Perry II

Committee Members

Absent: Michael Cicchetti  
Glendowlyn Thames, representing David Lehman, Commissioner of the  
Department of Economic & Community Development

Staff Present:

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

Others Present:

Ronald Nossak, BlumShapiro  
Robert Lamb, Lamont Financial Services  
Kathleen Orlandi, Hawkins, Delafield & Wood  
Julian Quintanilla, Lamont Financial Services  
John Wagner, Kutak Rock

Mr. Schmitt, noting the presence of a quorum, called the Finance/Audit Committee (the “Committee”) meeting to order at 9:03 a.m., in the Executive conference room of CHFA’s offices, 999 West Street, Rocky Hill, Connecticut 06067.

Mr. Taib spoke about the Private Activity Bond Volume Cap and mentioned that in December 2019, the State Bond Commission awarded CHFA unused carryforward. He noted that assumptions made for the 2020 budget included carryforward being allocated to single family. Mr. Taib stated that CHFA’s 2020 Lending Plan is amended to show the revised amounts for the carryforward allocation, the changes to the 2020 tax-exempt bond allocation, and changes to the allocation of 9 percent federal low-income housing tax credits.

Upon a motion made by Ms. Sanders, seconded by Mr. Perez, the Finance/Audit Committee members voted in favor of recommending to the Board for consideration the resolution regarding the State Carryover Bond Allocation (Mr. Hodges was not present for the vote).

Mr. Taib introduced Mr. Nossek who discussed the 2019 audit plan for CHFA's financial statements for the year ended December 31, 2019. He stated that preliminary work was completed the week of December 9, 2019, noting that nothing was found that has changed the anticipated audit plan. Mr. Nossek reviewed the proposed timeframe for completion of the audit. He summarized key audit areas and pointed out some of the additional focus due to industry developments and recent GASB Statements. As a result of new investment technology applications being implemented in 2019 at CHFA, Mr. Nossek mentioned that information technology controls will be evaluated during the audit process. He encouraged the Finance/Audit Committee members to contact BlumShapiro with any questions and/or feedback. Mr. Perez noted that he will be contacting BlumShapiro about an issue that he would like BlumShapiro to review.

Ms. Murphy discussed the financial reports for December 2019, noting that the reports are preliminary and unaudited. She mentioned that additional year-end adjustments are likely to be made within the next several weeks. Ms. Murphy stated that mortgage loan and investment revenues through December 31 were slightly below budget, but fee revenue and other income were over budget. She explained the main drivers behind the variances. Ms. Murphy mentioned that bond interest expenses through December 31 were below budget but higher than 2018. She discussed some of the variances in administrative expenses and reported on the change in net position.

Mr. Chilson reported on the delinquencies, and reviewed the purchases for the month of December. He stated that in December CHFA purchased 194 loans totaling \$35,600,000, with a loan average of \$183,669. He reviewed the percentages of whole loans versus mortgage-backed securities and mentioned that the delinquency rate for the combined portfolios went up slightly from the previous reporting period. For the month of December, Mr. Chilson stated that CHFA closed two new multifamily loans. He stated that permanent loan delinquencies increased by one loan to two, and construction loan delinquencies remained at one. The combined multifamily permanent and construction delinquency rate remains at .96%. There was a discussion about delinquencies and the national trend, and it was noted that Connecticut's delinquencies are higher than the national average and that Connecticut has one of the longest foreclosure processes.

Mr. Myskowski provided the investment and swap reports. He summarized that the investment report reflects an increase in book value over the last quarter, and the swap report shows a hedging position higher than last quarter. Mr. Myskowski noted that the number of counterparties remained the same.

Ms. Lambert provided highlights from the monthly tracking report. She explained that the starting number for the 9 percent low-income housing tax credits is lower than the amount allocated due to the forward allocation approved by the Board in 2019. Ms. Lambert stated that there are no requests for multifamily funding this month. She explained that in 2019, CHFA purchased a total of 2,877 first mortgage loans and 942 downpayment assistance program (DAP) loans. First

mortgage loans and DAP loans for 2019 are lower than 2018. Ms. Lambert attributed the lower numbers to a lack of inventory in the first-time homebuyer range.

Mr. Lamb provided an overview on interest rate swaps. He explained the rationale for utilizing swaps. Mr. Lamb discussed some of the risks and protections in place to mitigate the risks. He explained how the swap portfolio is managed and lessons learned from the credit crisis in 2009.

Mr. Schmitt asked the Committee members to consider the minutes from the November 21, 2019 meeting.

Upon a motion made by Mr. Perez, seconded by Ms. Sanders, the Committee members voted unanimously in favor of adopting the minutes from the November 21, 2019 meeting as presented.

There being no further business to discuss, upon a motion made by Mr. Perez, seconded by Mr. Hodges and unanimously approved, the meeting was adjourned at 9:52 a.m.