

MINUTES  
FINANCE/AUDIT COMMITTEE OF THE  
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)  
REGULAR MEETING  
July 26, 2018

Committee Members

Present: Jared Schmitt, Chairperson of Finance/Audit Committee  
Timothy Hodges  
David Kooris representing Catherine Smith, Commissioner, Department  
of Economic & Community Development (by phone)  
Catherine LaMarr representing Denise Nappier, State Treasurer (by  
phone)  
Jorge Perez, Banking Commissioner

Committee Member

Absent: Michael Cicchetti

Staff Present:

Theresa Caldarone, Assistant Director – Legal  
Joyce Ciampi, Director, Internal Audit  
William Dickerson, General Counsel  
Sherry Lambert, Manager, Research and Analysis  
Hazim Taib, Chief Financial Officer

Others Present:

Brent Chandaria, J. P. Morgan  
Karilyn Kober, Kutak Rock, Co-Bond Counsel  
Peter Weiss, J.P. Morgan

Mr. Schmitt, noting the presence of a quorum, called the Finance/Audit Committee (the “Committee”) meeting to order at 9:01 a.m., in the Executive conference room of CHFA’s offices, 999 West Street, Rocky Hill, Connecticut 06067.

Mr. Taib introduced Mr. Weiss and Mr. Chandaria from J.P. Morgan, senior manager for the 2018 Series C Bond issue. Mr. Weiss provided an overview of the issue. He talked about the pricing timeline, volatility in the market at the time of the pricing, and results of the pricing. Mr. Weiss summarized CHFA’s success in the market and stated that approximately half of the retail orders were from Connecticut investors. He noted that as a result of the strong retail interest, the institutional pricing was offered on the same day. Mr. Weiss mentioned that some of the bonds were repriced due to oversubscription of those maturities. In response to a question, Mr. Weiss stated that CHFA’s bonds did better than most other housing bond transactions in the market the same time.

As requested at the June 28 Committee and Board meetings, Mr. Taib summarized the information he gathered regarding Wells Fargo Securities (“WFS”). He mentioned that staff was asked to find out whether other quasi-public agencies and state agencies are using WFS as a result of the federal Community Reinvestment Act (“CRA”) exam failure and other negative

events. Mr. Taib stated that the information provided to the Committee members explains the definition of senior managing underwriter, co-managing underwriter and selling group members. He mentioned that in addition to CHFA, there are 12 other quasi-public agencies; and only the Connecticut Health and Educational Facilities Authority (“CHEFA”) was an active bond issuer during the last year. Mr. Taib stated that between July 1, 2017 and June 30, 2018 the State, through the Office of the Treasurer and the University of Connecticut, and CHEFA issued bonds approximately 13 times; and WFS was involved in 5 of the issues acting as either a senior managing underwriter, a co-managing underwriter or a winner of a competitive sale which is equivalent to a senior managing underwriter. Mr. Taib stated that unless CHFA receives a directive, staff recommends reviewing the status of WFS as a bond underwriter on an issuance-by-issuance basis. In response to a question, Mr. Taib stated that when he discussed policies with CHEFA, it was concluded that having a specific policy in place may create challenges and be disadvantageous to the issuing agency when trying to disqualify a firm from an issuance. A suggested possible option that was discussed is to consider inviting WFS to make a presentation on how it intends to address concerns and issues that have arisen. Mr. Schmitt noted the potential lag time that often occurs from when a violation is committed and when it appears in a report. He questioned how to determine how long a company should be penalized, when the penalty should be imposed and how to determine when a company can be reconsidered. Mr. Perez discussed the Connecticut statutes applicable to the Department of Banking with respect to CRA and substantial noncompliance. He clarified that the Department of Banking has latitude in determining whether to approve an application for a new bank branch and issues letters to the State Treasurer about substantial noncompliance; and state agencies and municipalities should not make deposits into those financial institutions that have substantial noncompliance issues. Ms. LaMarr explained that the views of the Treasurer’s Office with respect to WFS have recently changed, and the Treasurer’s Office is reviewing the status of WFS on a case-by-case basis. After discussion on how CHFA should proceed with respect to WFS, there was general consensus to continue to review WFS’s participation on CHFA transactions on a case-by-case basis.

Mr. Taib discussed the financial reports for June 2018. He summarized that the change in net position is above target. Mr. Taib noted that included in the quarterly reports are the Swap, Investment, and Interest Rate reports. He explained how the increase in short-term interest rates has impacted CHFA, noting that tax-exempt vehicles become more attractive. He stated, however, that long-term interest rates have not risen as much due to the current geopolitical tension. Under the single-family program, Mr. Taib stated that assets have increased for the month of June, and the delinquency rate went down. Under the multifamily program, Mr. Taib stated that the portfolio increased, and permanent loan delinquencies decreased.

Ms. Lambert reviewed the monthly tracking report. In response to a statement made about the single-family housing market in other areas taking a dive, Ms. Lambert stated that Connecticut did not experience the big upturns and spikes in single-family home sales as did other areas in the country; and therefore, Connecticut may not see the big downturns but rather a flattening of housing sales. Ms. Lambert spoke about the economy, prepayments and how each impacts single-family affordable housing stock in Connecticut. She noted that more prepayments typically translate to more affordable housing stock. Ms. Lambert stated that under the homeownership program, CHFA purchased 251 first-time homebuyer loans in June and 119 downpayment assistance loans. Ms. Lambert mentioned that there were 405 reservations made

Adopted: September 27, 2018

for first-time homebuyers which is extremely strong and indicates a continued strong homebuying season in Connecticut. She summarized the multifamily proposals being presented to the Mortgage Committee and Board this month.

Mr. Schmitt asked the Committee members to consider the minutes from the June 28, 2018 meeting.

Upon a motion made by Mr. Perez, seconded by Mr. Hodges, the Committee members voted unanimously in favor of adopting the minutes from the June 28, 2018 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 9:34 a.m.