

MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
REGULAR MEETING
July 29, 2021

Committee Members

Present: (Virtually) 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:
(Virtually)

Theresa Caldarone, General Counsel

John Chilson, Director, Portfolio Management

Joyce Ciampi, Director, Internal Audit

Allison Murphy, Director, Financial Reporting & Control

Hazim Taib, Chief Financial Officer

Other Participants: Robert Lamb, Lamont Financial Services

A roll call of committee members was conducted, and a quorum was present. Ms. Sanders, Chairperson of the Finance/Audit Committee (“the Committee”), called the meeting to order at 9:00 a.m.

Mr. Taib presented the Resolution for the Commencement of Necessary Preparations for the 2021 Series H Bond Sale Housing Mortgage Finance Program. Mr. Taib stated that the resolution will authorize the Authority to issue up to \$500 million of the Housing Mortgage Finance Program bonds. The sale will raise up to \$100 million of lendable proceeds to fund its first-time homebuyer program, taking advantage of a low interest rate environment by refunding outstanding single family and multifamily bonds, and reducing its exposure to LIBOR by refunding approximately \$200 million of outstanding index bonds. Mr. Taib stated that the Authority anticipates three separate closings, one in September and two in October. Morgan Stanley and Bank of America have been assigned as book running managers for the bonds.

Upon a motion made by Mr. Abrahams and seconded by Ms. MacKinnon, the members voted by roll call in favor of recommending to the Board the adoption of the Resolution for the Commencement of Necessary Preparations for the 2021 Series H Bond Sale Housing Mortgage Finance Program. The item passed unanimously.

Mr. Taib presented the Resolution to Enter into Revolving Credit Facilities and Issue Revolving Credit Obligations. Mr. Taib stated that the resolution authorizes the Authority to procure a credit facility to help manage its interest expense and preserve volume cap and tax-exempt authority. Mr. Taib stated the Board approved the Authority to enter into a credit facility with a not-to-exceed amount of \$75 million in March 2021. Subsequently, the Authority entered into a credit agreement with US Bank at a low borrowing rate in July 2021. Mr. Taib stated that the Authority is now seeking approval to enter into one or more facilities with an aggregate amount not-to-exceed \$100 million. With regard to the selection of the bank, Mr. Taib noted that there is a bidding process. Mr. Perez requested that CHFA's financial advisor take the necessary steps to ensure that Connecticut banks are made aware of future opportunities allowing them a chance to bid.

Upon a motion made by Mr. Perez and seconded by Mr. Hodges, the members voted by roll call in favor of recommending to the Board the adoption of the Resolution to Enter into Revolving Credit Facilities and Issue Revolving Credit Obligations. The item passed unanimously.

Ms. Murphy presented the financial reports for June, 2021. Ms. Murphy stated that the mortgage loan and investment interest revenue shortfalls continue to be driven by a reduction in the Authority's program assets, which is a result of lower single family production and higher rates of mortgage prepayments. Ms. Murphy stated that short term investment rates are significantly lower than the previous year noting that the State's Short Term Investment Fund went down to essentially zero during the month of May. However it did rebound the last week of June. Ms. Murphy stated that the Authority has been actively trying to reallocate some of these investments to higher yielding securities. Ms. Murphy stated that the Authority's Fees and Other Income are over budget through the month of June, a substantial portion of this variance being due to the sale of a multifamily project that was part of the state acquired portfolio. Ms. Murphy stated that the bond interest expense is lower than the previous year. Ms. Murphy stated that administrative expenses are coming in \$3.8 million under budget and \$542 thousand higher than last year. Excluding salaries and benefits, current year-to-date expenses are higher than last year's administrative expenses with the majority of the year-over-year variance related to the increase in foreclosure related costs. Ms. Murphy stated that the Change in Net Position is above target by \$14.5 million. Upon a board inquiry, Ms. Murphy stated that single family production is still down significantly from last year as a result of lack of inventory. A discussion regarding Mortgage Backed Securities (MBS) ensued. Upon request of board members, a presentation regarding MBSs will be provided during the September meeting.

Mr. Chilson presented the Delinquency and Forbearance Reports. Mr. Chilson reported on the single-family whole loans purchased for the month of June, as well as the loans securitized. Loans for the month of June averaged \$200,000. The Authority's June MBS balance declined from the prior month. Mr. Chilson stated that the Authority's whole loan portfolio through May 2021, declined from the prior month. Overall delinquency rate increased by .15% to 3.10%. The

carrying balance for loans in foreclosure year-over-year, increased while the total number of loans in foreclosure decreased by two. Mr. Chilson stated that the ratio of borrowers seeking Downpayment Assistance for the month of June was approximately 89%. Mr. Chilson stated that for the months of May and June, the number of whole loan borrowers in forbearance declined.

Mr. Chilson reported that the Authority closed on one new multifamily loan for the month of June, and had a decrease of one loan. Permanent loan delinquencies increased by three loans to 13 loans, and construction loan delinquencies remained at one loan. The multifamily delinquency rate is currently at 2.45%. Mr. Chilson also reported on the multifamily loans in forbearance and the two loans pending forbearance agreements.

Mr. Taib provided a quarterly update of the investment and swap reports. He stated that the investment report reflects decrease in book value of approximately \$193 million to \$3.36 billion from the last quarter. Quarter over quarter, the weighted yield to maturity for the investment portfolio increased slightly to 1.93% from 1.91%. Regarding the swap report, Mr. Taib stated that the Authority's hedge portfolio remained the same for the quarter; the weighted pay rate decreased, and the mark-to-market value decreased.

Ms. Ciampi provided an update on internal audit activities occurring since February. Ms. Ciampi indicated that the audit was focused on two areas, the procurement and contracting process, and phase 1 of the Emergency Mortgage Assistance Program (EMAP). Audit results for the procurement and contracting review concluded that key recommendations made during the review had been addressed. No audit recommendations were made during this phase of the review for EMAP. Phase 2 of the audit is in process and includes a review of controls over the funding and servicing of EMAP loans. Ms. Ciampi announced that new information has been added to the audit report intended to add perspective to the audit observations which are included in the audit supplement, to show members how it fits into the context of the overall audit. Ms. Ciampi stated that during the single family servicer compliance reviews, a desk review was conducted of Norcom Mortgage and a review letter was issued and is pending a response by servicer management. Based on discussion with management, the review of People's United will be deferred until 2022 as the bank has announced its merger with M&T Bank Corporation.

Ms. Sanders requested a motion to approve the minutes of the June 24, 2021 Finance/Audit Committee meeting.

Upon a motion made by Mr. Abrahams and seconded by Mr. Hodges the members voted by roll call to adopt the minutes from the June 29, 2021 meeting. Motion passed.

There being no further business to discuss, a motion was made to adjourn the meeting. All members were in favor. The meeting adjourned at 9:44 a.m.