

MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
REGULAR MEETING
June 25, 2020

Committee Members

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

Committee Members

Absent: Franklin Perry II

Staff Present:

John Chilson, Director, Portfolio Management
Sherry Lambert, Manager, Planning, Development and Evaluation
Allison Murphy, Director, Financial Reporting & Control
Ed Myskowski, Director, Investment & Debt Management
Hazim Taib, Chief Financial Officer

Others Present:

Robert Lamb, Lamont Financial Services

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, Mr. Schmitt, Chairperson of the Finance/Audit Committee (the "Committee"), called the meeting to order at 9:08 a.m.

Mr. Myskowski provided an overview of the standard single-family Resolution to authorize the issuance of bonds which will enable the Authority to continue the financing of single-family mortgages for first time homebuyers. Mr. Myskowski indicated that this is the third bond issue for the year 2020 and the second permanent issue for single family noting that the previous bond issue (2020B Bond Issue) was a \$75 million taxable temporary bond issue. The Resolution is for the issuance for up to \$100 million Housing Mortgage Finance Program Bonds and will be combined with the remaining 2020B authorization. The actual amount of bonds to be issued for lendable proceeds is expected to be approximately \$110 million. There is also expected to be some bonds issued for refunding of previously issued bonds. The bond issue is expected to close by the end of August. There is expected to be three single-family bond issuances in 2020 and one multifamily bond issuance. Mr. Myskowski stated that the book runner chosen for each issue is rotated around the four senior managers. RBC will be the book running senior manager for this bond issue.

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Upon a motion made by Mr. Perez, seconded by Mr. Hodges, the members voted by roll call and were in favor of adopting the resolution regarding the Authorization to Commence Necessary Preparations for the 2020 Series J Bond Issue (Single Family). Item passed unanimously.

Mr. Taib reminded members that the audit results for calendar year 2019 were presented to them during the April meeting at which point members were informed that the London Inter-Bank Offered Rate (LIBOR) would transition away as a reference rate by the end of 2021. Mr. Taib introduced Mr. Myskowski to provide an update regarding steps being taken by CHFA in handling the transition.

Mr. Myskowski provided a brief background of LIBOR and its relationship with the Authority. As of May 31, 2020, the Authority had approximately \$487 million of outstanding bonds indexed to LIBOR and approximately \$915 million of notional swaps tied to LIBOR. The dollar amount the Authority pays on these bonds and swaps is calculated as a function of LIBOR. Mr. Myskowski stated that the Authority's objective is to replace LIBOR as a reference rate in current Authority LIBOR index bonds and swaps. The replacement rate should result in approximately the same amount of bonds and swap payments as before the replacement. The replacement rate needs to be acceptable to the Authority, its bond holders, and swap counterparties, and transaction costs need to be done at a minimum amount. Mr. Myskowski announced that the Federal Reserve has convened the Alternative Reference Rates Committee (ARRC) to identify an alternative to U.S. dollar LIBOR and has developed a checklist to assist firms in making the transition. Mr. Myskowski provided a brief description of how three major entities will impact the Authority's transition in various ways, including the International Swaps and Derivatives Association (ISDA), the Government Accounting Standards Board (GASB), and the IRS. Mr. Myskowski indicated that currently there are three main U.S. dollar reference rate alternatives being considered to replace LIBOR, including Secured Overnight Financing Rate (SOFR), SIFMA, or Fed Funds.

Mr. Myskowski introduced Bob Lamb of Lamont Financial Services to provide an overview and comparison of each of the three alternative indices under consideration. Mr. Lamb highlighted the benefits of each and discussed their differences to LIBOR. Mr. Lamb highlighted several current issues with the transition, noting for example, that SOFR is behind schedule, and that the Authority has yet to receive clear indications with regard to whether internal mechanisms are in place, and whether a long-term rate will be provided. Mr. Lamb indicated that the Authority's position is to continue to observe how the transition is rolling out, consider the best approach, evaluate next steps, and ultimately take advantage of the best alternative for the Authority which could include a combination of the various indices that exist. Mr. Lamb stated that the Authority will do a market value for each of the swap transitions to ensure CHFA is taking correct actions.

Ms. Murphy presented the financial reports for May, 2020. She summarized the variances in revenue stating that revenue is below budget compared to 2019 with the shortfalls continuing to be largely due to the decrease in Single Family (SGLF) loan production. The amount of SGLF first mortgages originated during the period of January through May of 2020 is lower compared to the previous year for the same period. SGLF prepayments have increased over the same period in 2019. Ms. Murphy stated that a large increase in the year-over-year variance is partially a result of the May 2019 sale/restructure of Ninth Square. Ms. Murphy outlined the expenses through May reporting that the bond interest expense is below budget and lower than the previous year; a

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variance that continues to be due to the acceleration of the amortization of bond premiums. Ms. Murphy indicated that Administrative expenses are under budget year-to-date and lower than fiscal year 2019. There is no change to the expenses that have been incurred due to COVID-19. In responding to a question of whether some of the savings are due to working from home, Ms. Murphy stated that the savings are due to staffing being approved for 142 positions whereas 132 positions are presently filled. In addition, foreclosure related expenses are down significantly over the prior year.

Mr. Chilson reported on the single-family whole loans purchased for the month of May, as well as the loans securitized. He stated that the average loan size was approximately \$180,000. He also reviewed the delinquency rate which decreased by .30% to 2.31%. Mr. Chilson reported that the Authority funded 76 Downpayment Assistance loans with an average of \$6,175 per borrower. Through the end of April, 814 whole loan borrowers had requested and received forbearance for their April payment. Mr. Chilson noted that a third of those borrowers still made their April payment. In May the Authority had an increase in whole loan borrowers by 750. Mr. Chilson stated the Authority did not close any new multifamily loans for the month of May. Permanent loan delinquencies increased by four loans to seven loans and construction loan delinquencies decreased by one loan to one loan. Mr. Chilson stated that for the month of May regarding MF forbearances, two of them elected to use their reserves to pay their debt service.

Ms. Lambert discussed the monthly tracking report, announcing one proposed development as the second phase of development of Armstrong Court in Greenwich, which is a town with about 5% affordable housing. Ms. Lambert stated that in the home ownership area, the Authority saw 157 first mortgage loans and 76 DAP loans, both lower than last year but slightly higher than last month.

Mr. Schmitt asked the Committee members to consider the minutes from the May 28, 2020 meeting.

Upon a motion made by Mr. Perez, seconded by Ms. MacKinnon, the members voted by roll call to adopt the minutes from the May 28, 2020 meeting. Ms. Thames abstained. Motion passed.

There being no further business to discuss, upon a motion made by Mr. Perez, seconded by Mr. Abrahams and unanimously approved, the meeting was adjourned at 9:53 a.m.