

MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
REGULAR MEETING
May 25, 2017

Committee Members

Present: Michael Cicchetti (by phone)
Catherine LaMarr representing Denise Nappier, State Treasurer (by phone)
Matt Smith representing Jorge Perez, Banking Commissioner
Tim Sullivan representing Catherine Smith, Commissioner, Department of Economic & Community Development

Committee Members

Absent: Nuala Droney
Jared Schmitt, Chairperson of Finance/Audit Committee

Staff Present:

Joyce Ciampi, Director, Internal Audit
John Chilson, Director of Portfolio Management
William Dickerson, General Counsel
Sherry Lambert, Manager, Research and Analysis
Allison Murphy, Director, Financial Reporting and Control
Ed Myskowski, Director, Investment & Debt Management

Others Present:

Robert Lamb, Lamont Financial Services, Financial Advisor
Kathleen Orlandi, Hawkins, Delafield & Wood, Co-Bond Counsel
John Wagner, Kutak Rock, Co-Bond Counsel
Peter Weiss, J. P. Morgan

Noting the presence of a quorum, the meeting was called to order at 9:07 a.m., in the Executive conference room of CHFA's offices, 999 West Street, Rocky Hill, Connecticut 06067.

Mr. Myskowski stated that CHFA sold approximately \$125,000,000 of 2017 Series C fixed-rate bonds in April, and the sale was led by J.P. Morgan. He introduced Peter Weiss, representing the book running senior manager for the 2017 Series C bond issue. Mr. Weiss provided highlights from the sale of the 2017 Series C bond issue, noting that the market was very volatile when CHFA entered. He summarized the retail order period mentioning that approximately \$50,000,000 of retail orders were received during the morning followed by additional institutional orders of approximately \$249,000,000 in the afternoon. He explained the oversubscription of some maturities and lack of interest for others and stated that the strength of CHFA's bond indenture enabled CHFA to move maturities around and limit the need to adjust the yields on the maturities with little or no interest. Mr. Lamb attributed the success of the sale to the strategy used by the book running senior manager, with input from staff, cfX and the financial advisor, to price the bonds. Mr. Weiss summarize that the sale of CHFA's bonds was successful despite a challenging market.

Ms. Murphy discussed the financial reports as of April 30, 2017 and mentioned that interest on loans is coming in under budget; and conversely interest on investments is coming in above budget. She stated that CHFA continues to see the majority of single family loans being converted into mortgage-backed securities instead of whole loans. Ms. Murphy stated that most of the line items are close to budget with the exception of administrative expenses, which are approximately \$2 million below budget through April 30, 2017 the details of which could be found on Schedule B2.

Mr. Chilson reviewed the delinquency reports, noting that for the month of March CHFA purchased 220 loans totaling \$36.55 million of which 184 were mortgage-based securities and 36 were whole loans. He mentioned that the portfolio of mortgage-back securities is \$1.38 billion and the portfolio of whole loans is over \$2 billion. Combined the delinquency rate is 5.25 percent. Mr. Chilson mentioned that the multifamily portfolio increased by two loans to a total of 533 loans or \$1.21 billion with a delinquency rate of 1.95 percent.

Ms. Lambert provided highlights from the monthly tracking report. She stated that the Mortgage Committee and Board will be considering Investment Trust Account funds for a development in Hartford. Ms. Lambert mentioned that the 9 percent low-income housing tax credit awards approved in April have been added to the May tracking report. She noted that CHFA purchased 171 first-time homebuyer loans in April which is about the same as April 2016. Ms. Lambert stated that prepayments are lower than the same period last year.

Ms. Ciampi provided the internal audit report for period January 3, 2017 through May 17, 2017. She mentioned that in 2016, a large-scale review was performed on single-family loan origination from application through loan commitment. The 2017 audit plan included a continuation of that business cycle with single-family loan pooling and purchase of investments and single-family loan purchases. Ms. Ciampi stated the audits were completed, and management is implementing audit recommendations to improve controls over business processes as noted in the reports. She mentioned that an audit has begun of the multifamily housing underwriting process from application to initial closing. Ms. Ciampi stated that a servicer compliance review has been completed for Village Mortgage. A review letter has been issued and the servicer's action plan to address conditions noted has been reviewed. A servicer compliance review of United Bank has begun, and an onsite visit is scheduled for the near future.

The Committee members considered the minutes from the April 27, 2017 meeting.

Upon a motion made by Mr. Sullivan, seconded by Mr. Smith, the Committee members voted unanimously in favor of adopting the minutes from the April 27, 2017 meeting as presented.

There being no further business to discuss, upon a motion made by Mr. Smith, seconded by Mr. Sullivan and unanimously approved, the meeting was adjourned at 9:26 a.m.