

DRAFT MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
REGULAR MEETING
May 31, 2018

Committee Members

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

Committee Member

Absent: Jorge Perez, Banking Commissioner

Staff Present:

Theresa Caldarone, Assistant Director – Legal (Operations)
Joyce Ciampi, Director, Internal Audit
William Dickerson, General Counsel
Sherry Lambert, Manager, Research and Analysis
Allison Murphy, Director, Financial Reporting and Control
Ed Myskowski, Director, Investment & Debt Management
Hazim Taib, Chief Financial Officer

Others Present:

Susan Jun, Morgan Stanley
Bob Lamb, Lamont Financial, Financial Advisor
Kathleen Orlandi, Hawkins, Delafield & Wood, Co-Bond Counsel
John Wagner, Kutak Rock, Co-Bond Counsel

Mr. Schmitt called the meeting of the Finance/Audit Committee (the “Committee”) to order at 9:00 a.m., in the Executive conference room of CHFA’s offices, 999 West Street, Rocky Hill, Connecticut 06067.

Mr. Taib introduced Susan Jun from Morgan Stanley, the book-running manager for the 2018 Series B Bonds. Ms. Jun went through some of the highlights mentioned in the pricing book and noted that CHFA’s bonds were well received despite a tumultuous market. In response to a question about institutional pricing, Ms. Jun mentioned that CHFA is a well-known issuer and gets good institutional participation. She noted that approximately 20 percent of the bonds went to Connecticut retail investors. A question arose as to why there weren’t retail investors in all Connecticut counties. Ms. Jun explained that there have been retail purchases by those counties in the past. In response to a question about oversubscription of some bonds, Ms. Jun explained that demand varies by maturity and tax type and that while some maturities were oversubscribed, some maturities had balances. She also explained that there was uncertainty in the market with the AMT bonds because of the recent change in tax laws. Ms. LaMarr expressed concern with Wells Fargo’s participation in bond transactions.

Mr. Taib mentioned that it has been nearly three years since the last Request for Proposals (“RFP”) was issued for investment bankers, and he noted that CHFA will be issuing an RFP within the next several months.

Mr. Taib discussed the financial reports for April 2018. He stated that interest on loans and investments are coming in as expected. However, interest on loans is currently below budget but is expected to increase once multifamily projects start transferring surplus cash interest. Mr. Taib provided an update on the mortgage-backed security and whole loan portfolios. He noted that the delinquency rate, month over month, and the carrying balance for loans in foreclosure, year over year went down. Under the multifamily program, Mr. Taib stated that permanent loan delinquencies increased by one, and construction loan delinquencies remained unchanged.

Ms. Lambert reviewed the monthly tracking report. She mentioned that there is one multifamily loan this month seeking tax-exempt bonds and 4% low-income housing tax credits. For the month of April, Ms. Lambert mentioned that CHFA purchased 179 first-time homebuyer loans, which is about the same as April 2017. Reservations for April were 397, which indicate the continuance of a strong home buying season in Connecticut.

Ms. Ciampi reported on recent internal audit activities, including an audit focus on multifamily. A review of multifamily construction loan advances was completed during the period for CHFA and the State-Sponsored Housing Portfolio loans. The next emphasis will be on multifamily loan payment processing. A follow-up was conducted on the Capital for Change servicer compliance review and matters have been addressed. Internal audit has also been asked to consult on internal controls with technology and process improvement teams.

Mr. Schmitt asked the Committee members to consider the minutes from the April 26, 2018 meeting.

Upon a motion made by Mr. Cicchetti, seconded by Ms. LaMarr, the Committee members voted in favor of adopting the minutes from the April 26, 2018 meeting as presented (Mr. Schmitt abstained from the vote).

There being no further business to discuss, upon a motion made by Mr. Cicchetti, seconded by Ms. LaMarr, and unanimously approved, the meeting was adjourned at 9:20 a.m.