In the absence of the Chairperson of the Finance/Audit Committee (the “Committee”), Mr. Perez called the Committee meeting to order at 9:00 a.m., in the Executive conference room of CHFA’s offices, 999 West Street, Rocky Hill, Connecticut 06067. He introduced and welcomed Nandini Natarajan who will join CHFA as Chief Executive Officer—Executive Director on November 1, 2019.

Mr. Taib discussed staff’s recommendation to select a quantitative consultant. He stated that in accordance with CHFA’s Procedures and Connecticut General Statutes, CHFA solicited proposals for a quantitative consultant every three years, and CHFA received one proposal. Mr. Taib explained that the lack of more response is likely due to the size and complexity of CHFA’s bond portfolio. He mentioned that the selection criteria and summary of the response received from cfX Incorporated were provided for the Committee and Board. Mr. Taib confirmed that the proposal from cfX reflects a reduction in fees from previous years.
Upon a motion made by Ms. Sanders, seconded by Mr. Hodges, the Committee members voted unanimously in favor of recommending to the Board for consideration the resolution regarding quantitative services for bond payment projections and rating agency certification.

Mr. Proulx from Morgan Stanley, the book running manager for the 2019 Series F Bond issue, provided an overview of the sale which occurred earlier in the month. He stated that CHFA’s bonds are one of the most sought in the industry. Mr. Proulx discussed the strategy going into the market given the preceding activity, impending holiday and market conditions. He mentioned that part of the sale included $9,600,000 of taxable bonds at zero percent interest to the Federal Home Loan Bank of Boston as part of its Helping to House New England Program. Mr. Proulx stated that the PAC bonds offered as part of the issuance were significantly oversubscribed. He noted that the strong demand from CHFA investors allowed the book running manager to adjust the interest rate down on some maturities. Mr. Proulx discussed the orders and allotments and mentioned that unlike typical issues, CHFA received significant interest from “mom and pop” retail investors rather than the typical separately managed accounts during the retail period. In response to a question, Mr. Proulx stated that the syndicate underwrote approximately $16,510,000 of the bonds. Mr. Taib explained some of the typical reasons a syndicate may have to purchase unsubscribed bonds.

Ms. Murphy discussed the financial reports for September, 2019. She stated that revenues through September 30 were below budget but significantly higher than the same time period for 2018. Fees and other income were over budget, and Ms. Murphy discussed the key reasons for the variances. She highlighted the expenses through September 2019 and significant variances. Ms. Murphy mentioned that the change in net position was above target for the reporting period.

Mr. Chilson reported on the delinquencies, and reviewed the purchases for the month of September. He stated that CHFA purchased 233 loans totaling $44,400,000, with a loan average of $191,650. He reviewed the percentages of whole loans versus mortgage-backed securities and mentioned that the delinquency rate for the combined portfolios went up slightly from the previous reporting period. For the month of September, Mr. Chilson stated that CHFA did not close any new multifamily loans. He stated that permanent loan delinquencies increased by one loan to six, and construction loan delinquencies remained at one. The combined multifamily permanent and construction delinquency rate was 1.05%. A question arose about the delinquency rate for the Downpayment Assistance Loan Program, and Mr. Chilson responded that the delinquency rate for the program is fairly consistent. He mentioned that changes recently made to the program should help to reduce risks. The Committee members questioned whether there is anything that staff can or should be doing to further mitigate risks.

Mr. Myskowski provided the quarterly investment and swap reports. He noted that the increase in book value is a result of continuing to increase the portfolio of mortgage-backed securities and the buildup of funds for its semi-annual debt service payments on November 15. Mr. Myskowski mentioned quarter over quarter, the weighted yield to maturity for the investment portfolio went down due to a decrease in short-term rates. He stated that the swap report shows a hedging position higher than the last quarter due to the addition of one swap in August to hedge the 2019 Series D variable rate bond issuance. Mr. Myskowski stated that the number of
counterparties was reduced by one. He mentioned that the weighted pay rate went down and the mark-to-market value decreased. The Committee members recommended that staff present an analysis of the swap performance at a future Board meeting.

Ms. Lambert discussed the monthly tracking report. She mentioned that staff will be presenting to the Mortgage Committee and Board two multifamily funding requests—one for taxable bonds and one of which will utilize the hybrid structure discussed last month. Ms. Lambert stated that CHFA purchased 241 first mortgage loans and 83 downpayment assistance program (DAP) loans in October which are lower than September 2018. She attributed the reduction in purchases to a lack of housing stock in CHFA’s limits. Mr. Taib noted that in low interest rate environments, lenders prefer refinancing to originating new loans. Therefore CHFA has had to talk with lenders more to ensure they are offering CHFA products.

Ms. Ciampi provided the internal audit report for the period June 1, 2019 through October 31, 2019. She mentioned that the Low Income Housing Tax Credit (“LIHTC”) Allocation audit is being performed in two phases, and phase 1 has been completed. Management is implementing audit recommendations to improve controls over the business process, and a corrective action plan is being developed to address the impact of errors identified. Phase 2 of the LIHTC allocation audit is in process. Ms. Ciampi stated that the review of the State Housing Tax Credit Contributions Program has been postponed pending process review and improvements by management. She mentioned that a follow-up audit of the single-family delinquency and foreclosure monitoring process has been completed, and internal audit will continue to monitor the status of open audit recommendations. Ms. Ciampi stated that one servicer compliance review was completed during this reporting period but noted that the servicer compliance review for Santander Bank will not be performed this year since management has sent a written notice of non-compliance. Ms. Ciampi mentioned that internal audit continues to provide consulting and advisory services to staff to help improve operations and accomplish business objectives. She encouraged Committee members to provide suggestions for areas to include in the 2020 internal audit plan.

Mr. Perez asked the Committee members to consider the minutes from the September 26, 2019 meeting.

Upon a motion made by Mr. Hodges, seconded by Mr. Perry, the Committee members voted unanimously in favor of adopting the minutes from the September 26, 2019 meeting as presented.

There being no further business to discuss, upon a motion made by Mr. Perry, seconded by Mr. Perez and unanimously approved, the meeting was adjourned at 9:35 a.m.