MINUTES OF THE MEETING OF
THE NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
AUDIT COMMITTEE

October 29th, 2020

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held virtually on WebEx on October 29th, 2020.

The meeting was called to order at 2:05 p.m. by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the August 5th, 2020 meeting. The minutes were approved.

Mr. Gould turned to Mr. Richard Froehlich, First Executive Vice President and Chief Operating Officer, to provide an overview of the agenda. Mr. Froehlich provided an overview of the agenda and noted that he and Mr. Eric Enderlin, President, would provide a COVID-19 update on the Corporation's performance.

Mr. Gould turned to Mr. Enderlin to provide the COVID-19 update. Mr. Enderlin noted that the Corporation continues to operate well remotely. HDC has maintained all necessary operations and has an internal working group preparing for a safe return to the office at a time yet to be determined. The recent COVID-19 surge is raising some new concern as to when HDC will be re-opening. The Corporation remains strong and the balance sheet remains strong, but we have been frustrated with the lack of support from the federal government on multifamily housing. In particular, there has been a lack of support for tenants by the federal government. While there has been moratoria on evictions and some forbearance, these measures are temporary, and the expectation is that tenants would have to negotiate and pay back their landlords. There has been no real relief passed through for tenants. HDC has been making arguments for some type of federal funding for multi-family stabilization. While the federal government did an effective job early on in responding on the income support side and the liquidity side with fiscal stimulus and liquidity, support was uneven, and there has not been any additional support since. Mr. Enderlin concluded by noting that relief is critical, and if support is not forthcoming, there will be a "rent cliff" coming for a lot of affected households.

Mr. Enderlin then turned to Mr. Froehlich to report on the Corporation's portfolio. Mr. Froehlich noted that HDC's portfolio is continuing to perform well, with very low delinquency rate at 1% – 2%. The Corporation offered forbearance to a handful of projects and has been working with many more permitting releases from reserves. On the capital market side, the Corporation has had access to capital and interest rates are low. Although low rates help us as an issuer, they are less helpful to us in our role as an investor. Investments continue to perform well, but the Corporation is starting to experience a decline in investment income. With the broader issues of tenancy and the role for landlords, we'll continue to work on proposing solutions and working with borrowers, but we also continue to advocate for tenants and multi-family housing generally. Smaller projects tend to be where the Corporation would see a problem. The good news is the delinquency and rental shortfalls are relatively low for the Corporation's projects at this time. We will continue to be available for our borrowers and continue to monitor the portfolio.

Mr. Gould then turned to Mr. Louis Roberts of Ernst & Young to present the firm's audit plan for HDC's Fiscal Year 2020, which ends on October 31st. Mr. Roberts noted that Mr. Alex Civitano, Manager, Ernst & Young will be sharing his screen. Mr. Roberts then turned the Committee's attention to slide 2 of the Ernst & Young audit plan booklet to highlight what's new for the year, changes due to COVID-19 impact, and also the Corporation's adopting GASB Statement 84 which deals with presentation of fiduciary activities. Mr. Roberts noted that the team has started walk-throughs and will be making selections for year-end audit testing. Mr. Roberts stated that Ernst & Young will be able to perform the audit in a remote environment due to the extensive investment in technology, and Ernst & Young has been successful with performing other audits remotely earlier this year. Mr. Roberts then turned to page 3 to review the audit timetable noting that the timeframe is consistent to prior years. Mr. Roberts then gave an overview of the areas of audit emphasis which he noted is consistent with last year. Mr. Roberts noted that there are some new things to consider due to COVID-19. There are no issues with respect to collectability but Ernst &Young will monitor to anticipate any issues due to COVID-19. Mr. Roberts noted meeting with two HDC senior staff members earlier in the week regarding risk of cyber threats due to working remotely and did not see any reasons for concern from an audit perspective. Mr. Roberts continued with the timing of required communications. Mr. Roberts concluded his report by noting that Ernst & Young would report any deficiencies or material weakness in a document to management.

Mr. Gould then turned to Ms. Mary John, Controller, to report on the Corporation's third quarter financial statements covering the period November 1, 2019 through July 31, 2020. Ms. John noted that HDC remains optimistic as the Corporation's financial results continue to exhibit few negative effects from the ongoing economic downturn caused by COVID-19; however, as these conditions persist, HDC will remain diligent in closely monitoring economic activities which can potentially present downside risks to future profitability. The most positive indicator was mortgage loan repayments which continue to remain close to pre-pandemic levels with few requests for forbearance. Adversely, investments have produced lower earnings due to the decline in interest rates during this same period. The financial activities of the first nine months of the fiscal year resulted in an increase in net position by $194.1 million, a 6.2% increase from a year ago. Total revenues were $519.6 million, an increase of $6 million or 1.2% over the same period a year ago. Interest on loans was $366 million, an increase of $35.3 million or 10%, as a result of the increase in the mortgage portfolio by $1.7 billion. Fees and charges were $55.2 million, a decrease of $14.7 million, or 21% mainly due to lower loan origination fees and bond financing fees as a result of fewer loan closings compared to this period last year. Investment earnings, including the fair market valuation, were $77.8 million, a decrease of $28.9 million or 27%. As of July 31st, total assets were $22.9 billion, including $17.2 billion in mortgages and loan participation interests. Investments were at $5.3 billion. Total assets increased by $1.3 billion, or 6.1% mainly due to $2.2 billion in mortgage loan advances, offset by $484 million in principal repayments. Total liabilities were $19.6 billion including $13.0 billion in bonds and other debt obligations. Bond and debt obligation issuances were $1.3 billion, while repayments were $999 million.

Net position at the end of the period was at $3.3 billion, an increase of $194.1 million a 6.2% increase from normal operating activities.

Mr. Gould then turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance, to present the Corporation's Debt Report as of September 30, 2020. Ms. Duffy noted that during this time, the Corporation issued seven series of Open Resolution bonds totaling $532.9 million. There were bond redemptions in two series of Open Resolution bonds in the amount of $75.5 million and one stand-alone bond series in the amount of $24 million. The Corporation's debt outstanding as of September 30, 2020 is approximately $13.1 billion. The Corporation's statutory debt capacity was increased from $14.5 billion to $15.5 billion on April 3, 2020.

Mr. Gould then turned again to Ms. Duffy to provide the Corporation's Investment Report as of October 5, 2020. Ms. Duffy noted that funds under management totaled approximately $5.5 billion. This report reflects routine investment activity.

Mr. Gould then recognized Ms. Mary Hom, Chief Risk Officer, for the counterparty credit risk exposure report. Ms. Hom reported that the report before the Members is dated as of September 30, 2020. The previous report to the Audit Committee was dated June 30, 2020. Ms. Hom reported that there were no new additions to the list of counterparties, and there were no rating agency actions of note. HDC's counterparty exposure remains diversified with the largest exposures continuing to be with FHLMC and FNMA. Investments rated double-A or higher were 48% of total investments, versus 55% at the last report. Investments rated triple-B or not rated were 28% of total investments, unchanged since the last report, and are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. Ms. Hom concluded her report by noting that HDC's exposure to liquidity providers was up $50 million since the last report due to the issuance of the 2020 Series E and F-2 bonds in August.

Mr. Gould then called on Ms. Hom to provide the Internal Audit report. Ms. Hom reported that since the last report to the Audit Committee, the Records Retention audit was completed. The objectives of the Records Retention audit were to ensure there are current and effective record retention policies and procedures; to assess if records are archived in accordance with set schedules and do not exist beyond their planned destruction date; to evaluate the current off-site records storage contract and invoices for compliance and billing accuracy; to determine if there is an off-site records inventory that is accurate, up-to-date, and reviewed at least annually; and to ensure all record keeping systems and storage facilities (both on-site and off-site) are protected from unauthorized access. Ms. Hom reported that upon completion of the audit, we noted that opportunities exist to improve records retention protocols and the associated internal controls. While state-mandated records retention protocols are followed, we recommend that written policies and retention schedules be updated. In addition, we recommend that employee training tools be developed to help employees identify what constitutes a record and how employees should be retaining such records. The focus was on the retention of physical records, and a more thorough review of electronic records retention will be performed at a later time. Ms. Hom concluded her report by noting that with the shift toward electronic documentation, the need for off-site storage of physical files is expected to wane over time.

Mr. Gould then turned the Committee's attention to Ms. Duffy to provide an overview of the Corporation's most recent presentation to Moody's. Ms. Duffy noted that in September, the Corporation made a presentation to Moody's as part of their annual check-in. The Corporation presented reports for both HDC and REMIC. Mr. Froehlich noted that there were no major issues raised, and it was a routine meeting.

Ms. Denise Scott, Board Member, noted that there seems to be heightened cyber security breaches in the industry and noted a need to be extra cautious. Mr. Froehlich noted that the Corporation is very conscious of this issue and has continued periodic cyber security training internally. In addition, Mr. Froehlich noted that HDC continues to remind borrowers to be vigilant about cyber security risks.

At 2:35 p.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

VRoberty

Violine Roberty

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ATTENDANCE LIST (VIRTUAL MEETING)

NAME	**AFFILIATION**
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Kyle Kimball	Audit Committee Member
Louis Roberts	Ernst & Young
Alex Civitano	Ernst & Young
Eric Enderlin	NYC Housing Development Corp.
Richard Froehlich	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Patrick Ogoke	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Ana Meza	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.