

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

April 6th, 2021

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 Tuesday, April 6th, 2021.

The meeting was called to order at 10:00 a.m. by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the January 26th, 2021 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 short COVID-19 update on the Corporation’s performance.

Mr. Gould turned to Mr. Enderlin to provide the COVID-19 update. Mr. Enderlin remarked that the Corporation is taking steps to prepare for return to the office. The City has been asking for employees to return to work on a “periodic and regular basis” in May, and HDC is complying with that request. There is an expectation that COVID-19 numbers will go down towards the end of April due to a high rate of vaccinations. On the policy side, there is an infrastructure piece of stimulus that’s being proposed, and HDC is working as part of team to see where housing fits into that proposed legislation. The 4% tax credit floor was recently resolved, an issue HDC had been working on for a while and this is expected to add about \$200 to \$250 million in equity per year for New York City transactions. Moreover, HDC is expecting \$550 million in volume cap to be available for the first half of the year. Ms. Denise Scott, Board Member, asked whether the City is mandating employees get vaccinated. Mr. Enderlin responded that there is no mandate, and that is probably not possible under an emergency use approval for the vaccine. A significant number of HDC staff has been vaccinated, but vaccination cannot be mandated. Mr. Gould then asked whether HDC will request more volume cap from the \$15.5 billion, and Mr. Enderlin noted that the Corporation will request more volume cap on an annual basis.

Mr. Enderlin then turned to Mr. Froehlich to report on the Corporation’s portfolio. Mr. Froehlich noted the Corporation is still receiving a few requests for mortgage assistance. Additionally, the Corporation has received some requests for rate modifications, and there is a process in place to review these requests. Mr. Froehlich noted that the Asset Management team along with Loan Servicing meets regularly to stay on top of these issues. Overall, the portfolio continues to perform well. Ms. Scott then noted that with the infrastructure bill, it’s likely that a case would have to be made that housing is included as part of infrastructure, and the Corporation should start reaching out to industry participants and make clear our position regarding housing as infrastructure. Mr. Froehlich responded that the Corporation has done that through a variety of trade memberships and constant conversation with industry groups. Mr. Froehlich noted that if the infrastructure bill goes

through the same process as the COVID relief bill, there may be time limits on the use of the funding, and this may be a challenge. HDC remains engaged on the proposed infrastructure bill and will continue to play a strong role on the advocacy side.

Mr. Gould then turned to Ms. Mary John, Controller, to report on the Corporation's unaudited financial statements for the first quarter of fiscal year 2021 covering the period November 1, 2020 to January 31, 2021. Ms. John noted that despite operating for over a year under the restrictions posed by the COVID-19 pandemic the Corporation has continued to carry out its financial activities with relatively few interruptions. Ms. John noted that in the first quarter of the fiscal year the Corporation's net income was \$75.5 million, a 17.8% increase compared with the same period last year, resulting from higher revenues from interest income and loan related fees, though this increase was offset by an almost 50% decrease in earnings on investments as a result of the current low interest rate environment. Total assets were at \$22.6 billion, an increase of \$639.8 million or 1.9% from fiscal year end 2020. The increase was due to the Corporations' mortgage lending activities, as mortgage advances in the first quarter were in excess of \$1.0 billion. HDC's mortgage loan portfolio, which comprises 77.5% of total assets, has performed well, and delinquency rates have remained below 1%. Ms. John further noted that HDC staff continues to monitor the loan portfolio and stands ready to act upon any issues that may arise. Total Liabilities were \$19.1 billion, an increase of \$564.3 million, or 3% from fiscal year end 2020. There was a net increase in Bonds Payable of \$305.7 million. Bond issuances in the first quarter were \$822.0 million, offset by \$514.2 million in principal repayments. Net Position at the end of the quarter was \$3.5 billion, an increase of \$75.5 million

Mr. Gould then turned to Ms. Ellen Duffy to present the Corporation's Debt Report as of February 28, 2021. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of December 31, 2020. During this time, the Corporation did not issue any new series of bonds. Ms. Duffy stated that there were bond redemptions in one series of Multi Family Secured Mortgage Revenue Bonds ("Mini-Open") in the amount of \$21.13 million. The Corporation's debt outstanding as of February 28, 2021 is approximately \$13.38 billion. The Corporation's statutory debt capacity is \$15.5 billion.

Mr. Gould turned again to Ms. Duffy to provide the Corporation's Investment Report as of March 22, 2021. Ms. Duffy noted that funds under management totaled approximately \$5.36 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 detailing the Corporation's counterparty exposure is as of February 28, 2021. The previous report to the Audit Committee was dated December 31, 2020. There were no rating agency actions of note, and there were no new approved counterparties. HDC's counterparty exposure remains diversified with the largest exposures continuing to be with FNMA and FHLMC. Investments rated double-A or higher were 47% of total investments, versus 44% at the last report. Investments rated triple-B or not rated were 31% of total investments, versus 32% at 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 unchanged at \$348.8 million.

Mr. Gould then called upon Ms. Hom to provide the Internal Audit report. Ms. Hom reported that since the last report to the Audit Committee on January 26, 2021, two audits were completed: the 2020 Employee Expenses audit and the 2020 LIHTC Compliance audit. On the 2020 Employee Expenses audit, the objectives were (1) To evaluate the effectiveness of internal controls over employee expense reimbursements and other related expenses to ensure they were appropriate, properly authorized, and accurately recorded; and (2) To evaluate and test compliance with the Corporation's policies and procedures relating to employee and other related expenses. Ms. Hom reported that management has effective controls in place to ensure employee reimbursement and vendor payments are properly authorized, appropriate, and accurately recorded. The review of the selected expenses determined that employees generally complied with the policies and procedures for processing employee reimbursements and vendor payments. Ms. Hom reminded the Members that the Employee Expenses audit is required to be performed each year pursuant to the 2003 Memorandum of Understanding with the New York City Department of Investigation (DOI).

On the 2020 LIHTC Compliance audit, the objectives were: (1) To determine if adequate controls were in place to ensure that IRS regulations and compliance monitoring activities for LIHTC projects were followed; (2) To ensure Asset Management and LIHTC project owners and agents maintained records in accordance with IRS requirements; (3) To determine if LIHTC owners were notified on a timely basis of deadlines, tracked for compliance, and reported non-compliance projects in accordance with the IRS compliance monitoring requirements; (4) To determine if all LIHTC projects were inspected according to the IRS reporting requirements; and (5) To determine if LIHTC monitoring fees were accurately calculated, billed, and collected. Ms. Hom reported that opportunities exist to improve LIHTC compliance monitoring activities and the associated internal controls. With respect to policies and procedures, Ms. Hom noted that while policy and procedure documents exist for certain steps of the process, one comprehensive document that provides specific guidance on the responsibilities for each stage of the compliance monitoring process would be beneficial to streamlining and controlling the process. Management has agreed to address this issue by compiling a comprehensive procedure document. With respect to the timeliness of Annual Owner Certifications (AOC) and on-site inspections and audits, management should formalize a review and approval process for extensions and add staff coverage for compliance file review. Ms. Hom concluded her report by noting that management has agreed to address this issue and will be assessing staffing needs as part of the Corporation's overall review of staffing capacity.

At 10:26 a.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,



Violine Roberty

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ATTENDANCE LIST (VIRTUAL MEETING)

<u>NAME</u>	<u>AFFILIATION</u>
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Kyle Kimball	Audit Committee Member
Louis Roberts	Ernst & Young
Erin Montgomery	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.
Cheuk Yu	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.