NYC HDC
NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

INTEROFFICE MEMORANDUM

To:	Members of the Audit Committee
From:	Mary Hom, Chief Risk Officer
Date:	January 7, 2022
Subject:	Approval of Annual Audit Committee Report

I am pleased to request the Members approval of the 2021 Audit Committee Report. Pursuant to the New York City Comptroller's "Directive 22," the Audit Committee is required to publish an annual report detailing its activities and decisions for the prior calendar year. The report is a compilation of the Minutes from the Audit Committee meetings that occurred during the year ended December 31, 2021.

A copy of the report will be submitted to the Secretary for the Audit Committee of New York City.

Annual Audit Committee Report

New York City Housing Development Corporation

December 31, 2021

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

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

January 26th, 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 January 26th, 2021.

The meeting was called to order at 2:00 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 December 2nd, 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 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 situation seems to be improving. On the federal level, there is more confidence that there will be state and local aid, with the most recent bill providing additional rental support for tenants. However, Mr. Enderlin noted, there is still a lot of concern regarding the eviction moratorium and a potential rental cliff. There is reason for hope as the most recent federal bill fixed the 4% tax credit which will bring another $250 million a year in LIHTC equity to the City. Mr. Enderlin stated that there is also focus on restarting the Federal Financing Bank (FFB) which would be a huge help with the refinancing work that HDC may undertake. Mr. Enderlin continued by noting that HDC, in coordination with the City, is advising staff on a month-to-month basis about returning to the office. Mr. Enderlin further noted that realistically, HDC would be working remotely until at least April. He explained that staff return to the office would depend on how much mask wearing and mitigation such as social distancing are being done to make sure that New York does not experience another coronavirus surge.

Mr. Enderlin then turned to Mr. Froehlich to report on the Corporation's portfolio. Mr. Froehlich noted that 2020 was a successful year. He informed the Board that despite some concerns and challenges, the Corporation performed very well financially. In addition, 2020 was a major year for debt issuance. Mr. Froehlich reported that HDC was one of the top 20 municipal issuers in the country, and this reflected the amount of effort and work done by our dedicated team. Mr. Froehlich then stated that there is still some pressure in the portfolio, and the Corporation continues to meet regularly to review requests for forbearance or other assistance, such as refinancing, as borrowers seek to address the challenges that they are facing. Mr. Froehlich then stated that HDC will provide all the tools available to address these concerns, including lowering rates, so we should expect this to have some impact on the Corporation's revenues. Mr. Froehlich further noted that 2021 will be a very active year with a lot of issuance, as evidenced by the approvals at the November Board meeting. Mr. Froehlich then emphasized that today's financial report provides good news regarding the Corporation's performance, but these results should be tempered with the continuing challenges that our borrowers are facing.

Mr. Gould then turned to Ms. Cathleen Baumann, Senior Vice President and Treasurer of the Corporation, to present the Corporation's Financial Report for fiscal year 2020. Ms. Baumann noted that 2020 was another successful year for the Corporation. The ongoing economic downturn caused by the coronavirus pandemic has led to some challenges, but the Corporation has adapted and performed very well. Total assets increased to $21.8 billion an increase of $1.7 billion or 8.62% from 2019 due to the Corporation's robust mortgage lending and bond financing activities throughout the year. Ms. Baumann further noted that HDC's mortgage loan portfolio has performed well as repayments continue to remain close to pre-pandemic levels. As of the end of the fiscal year, four mortgages had been granted forbearance and one had resumed making their monthly payments. Total liabilities were $18.5 billion, an increase of $1.5 billion or 8.90% from 2019 because of the Corporation's ongoing debt and lending activities. Despite the pandemic, bond issuances during FY 2020 continued with little interruptions. Twenty-one new bond series were sold, totaling $1.8 billion. In addition, debt obligation draws totaled $17.2 million for the fiscal year, all to create and preserve affordable housing. HDC also signed a new loan participation agreement with the FFB for $65.6 million. Total net position at fiscal year-end was $3.4 billion, representing an increase of $286 million or 9.13% over the prior year. Of this amount, $244.8 million was generated from the Corporation's normal operating activities and $41.3 million was funds received from the 421-A Grant Revenue Program with the Battery Park City Authority. Ms. Baumann reported that during the fiscal year, the Corporation early adopted GASB Statement No. 84, *Fiduciary Activities*. In the Corporation's normal course of business, it is in control of custodial assets which it holds and expends for the benefit of others. Those activities are now required to be reported in separate fiduciary fund financial statements. The funds affected by GASB 84 are the funds that we hold for HPD relating to several loan participation agreements with the City through HPD, funds that we hold for construction and permanent servicing for HPD, escrow and reserve funds that we hold on behalf of the Corporation's mortgagors, and the Corporation's OPEB fund. Ms. Baumann took the opportunity to recognize Mary John, HDC's Controller, and Cheuk Yu, HDC's Deputy Controller, for their leadership throughout the year and their perseverance during the audit, as well as the entire HDC Accounting staff for all of their hard work and dedication in completing another successful audit, all while working remotely during the pandemic. Ms. Baumann then noted Mr. Louis Roberts of Ernst & Young would walk the Members through the audit results.

Mr. Gould then turned to Mr. Louis Roberts of Ernst & Young to present HDC's Fiscal Year 2020 Audit report. Mr. Roberts first expressed gratitude to the Corporation and its team members for being flexible and working remotely with Ernst & Young to complete the audit which was consistent with what was communicated to the Members back in December. Mr. Roberts noted that Ms. Erin Montgomery, Senior Manager, Ernst & Young will be sharing her screen. Mr. Roberts then turned the Committee's attention to the Executive Summary slide of the Ernst & Young presentation to highlight some findings with respect to key business issues and the pandemic. Mr. Roberts reported that 2020 was a successful year as it relates to the performance of the loan portfolio, bond issuance, refinancing transactions, and the valuation of the investments. There were no trends or transactions that caused Ernst & Young to have to take any deeper dives or consider additional reserves related to the collectability of mortgage balances. Mr. Roberts then noted that the new adoption of the GASB 84 rule, as Ms. Baumann mentioned, is reflected in the financial statements. Mr. Roberts continued with the results of the audit. He reported that the Corporation's analysis for significant accounting matters is appropriate, and that judgments were consistently used by management to account for significant accounting estimates. Mr. Roberts further noted that there were no corrected misstatements or material uncorrected misstatements. He stated that all internal controls over financial reporting are designed effectively and were not affected by the remote environment. He also reported that there were no instances of fraud or noncompliance with laws and regulations. Mr. Roberts then informed the Board of upcoming GASB pronouncements that may impact the Corporation in fiscal year 2022. Mr. Roberts noted meeting with two HDC senior staff members to discuss GASB 91, Conduit Debt Obligations, which will have an impact on the financial statements in fiscal year 2023. Mr. Gould then requested approval of the Corporation's Financial Statements and the Members approved the 2020 Financial Statements.

Mr. Gould then turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance, to present the Corporation's Annual Investment Report for fiscal year 2020. Ms. Duffy reported on the Corporation's investment results. Earnings on investments totaled $89.6 million in fiscal year 2020, a decrease of $20.5 million from fiscal year 2019, due mainly to a decrease in reinvestment rates and a decrease in investment proceeds in FY 2020. HDC funds under management decreased about 22.6% from fiscal 2019 year-end to fiscal 2020 year-end, from $5.91 billion to $4.6 billion. The Corporation had a 9.13% growth in net position over the last year. Ms. Duffy then requested approval of the Corporation's Annual Investment Report and Investment Guidelines, and the Members approved the 2020 Annual Investment Report.

Mr. Gould then turned again to Ms. Ellen Duffy to present the Corporation's Debt Report as of December 31, 2020. Ms. Duffy noted that the Corporation issued three series of Open Resolution Bonds totaling $532.95 million and two series of Housing Impact Bonds in the amount of $289.07 million. There were bond redemptions in two series of Open Resolution bonds in the amount of $236.3 million and two stand-alone bond series in the amount of $10 million. The Corporation's debt outstanding as of December 31, 2020 is approximately $13.5 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 January 12, 2021. Ms. Duffy noted that funds under management totaled approximately $5.26 billion. This report reflects routine investment activity.

Mr. Gould then called upon Ms. Mary Hom, Chief Risk Officer, for the Counterparty Credit Risk Exposure report. Ms. Hom noted that the report before the Committee is an unaudited report detailing the Corporation's counterparty exposure as of December 31, 2020. The previous report to the Audit Committee was dated October 31, 2020. There were no rating agency actions of note, but there were two new approved counterparties: Dime Savings Bank and Hanover Bank. Dime Savings Bank was formed in Brooklyn in 1864 and is currently in the process of merging with Bridgehampton National Bank, a bank already on HDC's approved list. The combined entity will have approximately $11 billion in total assets and will be known as Dime Community Bank. Hanover Bank is a small, privately-held community-focused financial institution based in Mineola, Long Island with approximately $850 million in total assets. Hanover is in the process of merging with Savoy Bank, and when the merger is completed in the first half of 2021, the combined entity will have approximately $1.6 billion in total assets. Both Dime and Hanover are not rated by Moody's or S&P, but HDC investments in both banks are fully-collateralized by FHLB letters-of-credit. Ms. Hom continued by noting that HDC's counterparty exposure remains diversified with the largest exposures continuing to be with FHLMC and FNMA. Investments rated double-A or higher were 44% of total investments, versus 45% at the last report. Investments rated triple-B or not rated were 32% of total investments, versus 29% 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 exposure to liquidity providers increased to $348.8 million due to the issuance of the 2020 Series I-3 bonds.

Mr. Gould then called upon Ms. Hom for the Internal Audit report. Ms. Hom noted that since the last report to the Audit Committee on December 2, 2020, the Project Loan Setup and President's Office Expenses audits were completed, and the Code of Ethics – Annual Employee Certification was completed as well. On Project Loan Setup, Ms. Hom reported that the objectives were: (1) To determine if there are current and effective project loan setup policies and procedures; (2) To assess efficiency of department processes for setting up and managing project loans; (3) To determine if users have appropriate setup and restrictions to Benedict software in accordance with their job responsibilities; and (4) To determine accuracy of loan data on origination documents, Benedict software, and loan data reports. Upon completion of the audit, there were no matters noted involving internal controls that were considered material weaknesses. We found that the project loan setup process was properly assigned and segregated. Opportunities exist to further enhance controls for the project loan setup process, and these opportunities have been communicated to the various departments that participate in the process to determine the feasibility of these enhancement opportunities.

Moving to the President's Office Expenses audit, Ms. Hom noted that the objectives were to: (1) Determine accuracy of the President's Office expenses recorded in Oracle and ensure they are accurately reflected in the General Ledger; and (2) Determine whether the expenses classified under the President's Office adhere to the applicable policies and procedures for employee expense reimbursements. Upon completion of this audit, there were no matters involving internal control and its operation that were considered to be material weaknesses. In summary, the Corporation's guidelines were effective, and the President's Office expenses were generally processed with supporting documentation and correctly recorded according to the policies in the Employee Handbook. Ms. Hom reminded the Committee that this audit is required to be performed each year pursuant to the 2003 Memorandum of Understanding (MOU) with the New York City Department of Investigation (DOI).

Ms. Hom concluded her Internal Audit remarks with a report on the Code of Ethics Annual Employee Certification. Pursuant to the HDC Audit Committee Charter, Internal Audit is required to provide the Audit Committee with an annual report attesting that each HDC employee has affirmed or reaffirmed acknowledgement of the Corporation's Code of Ethics and Conflicts of Interest policy. Ms. Hom reported that this process was completed, and Internal Audit received and examined a detailed report from the Corporation's Human Resources department on January 14, 2021 supporting this affirmation.

Mr. Gould then called on Ms. Hom to present the Annual Audit Committee Report for 2020. Pursuant to the New York City Comptroller's Directive 22, the Audit Committee is required to publish an annual report detailing its activities and decisions for the prior calendar year. This report is a compilation of the Minutes from the Audit Committee meetings that occurred during the 2020 calendar year. Upon approval, a copy of this report will be submitted to the Secretary for the Audit Committee of New York City. Ms. Hom then requested the Members approval of the Annual Audit Committee Report, and the Members approved the report.

At 2:30 p.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

Ana Meza

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

January 26th, 2021

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
Erin Montgomery	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.
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.

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,

VRoberty

Violine Roberty

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

April 6th, 2021

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
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.

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

June 2nd, 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 Wednesday, June 2nd, 2021.

The meeting was called to order at 10:07 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 April 6th, 2021 meeting. The minutes were approved.

Mr. Gould turned to Mr. Eric Enderlin, President of the Corporation, to provide an overview of the agenda. Mr. Enderlin provided an overview of the agenda and noted that he 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 hopeful that this might be one of the last times we provide such a serious or thorough COVID update. There is concern as to what might happen in the fall and the potential for COVID variants, but there is reason to be optimistic. A recent report out of North Carolina indicated that keeping distancing and masking will save quite a few infections during winter. New York City has been focused on getting vaccination rates up. Most of HDC's staff have returned to the office in stages, and we continue to social distance. Mr. Enderlin commended the Office Services staff as they have done a great job in bringing staff back to the office safely.

Mr. Enderlin then turned to Mr. Richard Froehlich, First Executive Vice President, to report on the Corporation's portfolio. Mr. Froehlich noted that the portfolio continues to perform well. The State has unveiled its emergency rental assistance program, and that will provide more of an opportunity to work with borrowers and their tenants to ensure that tenants apply for the assistance available. From the perspective of the Corporation's borrowers, they generally are current on their payments and are doing well overall. There are a few borrowers who tapped into reserves, but that has stopped at this time. Mr. Froehlich noted that the second quarter financial presentation will make clear that the Corporation's financials are strong, and the Corporation is doing well overall. Mr. Enderlin added that he has talked to some developers who noted that most projects are reporting for May 2021 a 92% to 99% collection rate. There is still a big gap from last year, and most people have done reasonably well, but there are still a number who fell deeply behind on their rents. The affordable housing portfolio has done well in New York City; it's mostly the market rate buildings in the City that have seen both economic vacancy and significant physical vacancy.

Ms. Denise Scott, Board Member, asked whether the Corporation is seeing a significant number of commercial vacancies in the portfolio and whether there are any concerns. Mr. Enderlin answered no; due to careful underwriting, the Corporation has not relied heavily on the commercial components and has kept exposure to a minimum. Mr. Enderlin noted that there is an impact to commercial spaces overall in the City and the world, but not a major impact on HDC.

Mr. Gould then turned to Ms. Mary John, Controller, to report on the Corporation's unaudited financial statements for the second quarter of fiscal year 2021, covering the period November 1, 2020 through April 30, 2021. Ms. John noted that as the economy continues to recover from the worst of the economic downturn related to the COVID-19 global pandemic, the Corporation continues to grow its balance sheet with bond issuances exceeding $1.5 billion as of the end of the second quarter. The new money raised will be used to finance 12 new construction loans as well as preservation and refinancing loans closed during the period. Total assets (including deferred outflows) of $23.5 billion, increased by $1.5 billion, or 7.0%, from FY 2020. The increase was primarily due to the growth in the mortgage portfolio by a net of $1.4 billion from the end of FY 2020. The Corporation's mortgage portfolio continues to perform well, with only one loan currently in forbearance as of April 30th. Total liabilities (including deferred inflows) of $19.9 billion, increased by $1.4 billion, or 7.8%, from FY 2020 mainly due to the increase in bonds and debt obligations payable by a net of $1.1 billion. The Corporation had total revenues of $311.7 million at the end of the second quarter, a decrease of $49.2 million over the same period last year. The lower revenues were due to the fair market valuation on the outstanding investment portfolio which decreased by $51.9 million from a year ago. Management intends to hold the investment securities to maturity. As a result, the likelihood of this loss being realized is minimal. Ms. John further noted that the net position as of April 30th, 2021 was at $3.5 billion, an increase of $93.5 million since the end of FY 2020. Ms. John further noted that net income for the period was $93.5 million which is comprised of operating revenues of $332.8 million, an increase of $29.4 million or 9.7%. Operating expenses were $218.2 million, a decrease of $3.9 million, and non-operating expenses were $21.1 million (primarily realized investment income and unrealized investment fair value loss). Mr. Froehlich provided an explanation regarding the mark-to-market loss number being rather high. Mr. Froehlich noted that the Corporation has about $1.1 billion invested in Agency callable securities and that's why HDC is seeing that big paper loss. The income the Corporation will see on those Agency securities is an annualized $19 million. If the Corporation invested that cash very short at money market rates, we would earn $3 million or less. This is a conscious decision to get actual revenue at a higher level, but unfortunately as interest rates increased, the valuation was impacted. The Corporation is getting actual revenue versus a paper loss.

Mr. Gould then turned to Ms. Ellen Duffy to present the Corporation's Debt Report as of April 30, 2021. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of February 28, 2021. During this time, the Corporation issued six series of Open Resolution bonds totaling $678.5 million, two stand-alone bond series in the amount of $48.3 million, and remarketed two series of Open Resolution bonds totaling $38.4 million. There were no bond redemptions in March or April. The Corporation's debt outstanding as of April 30, 2021 is approximately $14.08 billion. The Corporation's statutory debt capacity is $15.5 billion. Mr. Gould asked if the Corporation is still planning on applying for a debt capacity increase. Ms. Duffy answered that yes, HDC has applied for $17 billion and the bill is still going through the legislature.

Mr. Gould turned again to Ms. Duffy to provide the Corporation's Investment Report as of May 17, 2021. Ms. Duffy noted that funds under management totaled approximately $5.34 billion. This report reflects routine investment activity.

Mr. Gould then called upon Ms. Mary Hom, Chief Risk Officer, to present the counterparty credit risk exposure report. Ms. Hom reported that the report today details the Corporation's counterparty exposure as of April 30, 2021. The previous report to the Audit Committee was dated February 28, 2021. 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 48% of total investments, versus 47% at the last report. Investments rated triple-B or not rated were 32% of total investments, versus 31% at the last report, and are fully collateralized by high quality U.S. Treasury or 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 approximately $348 million.

Hearing no questions, Mr. Gould then called upon Ms. Hom to present the Internal Audit reports. Ms. Hom reported that in accordance with The International Professional Practices Framework, or IPPF, the conceptual framework that organizes authoritative guidance provided by The Institute of Internal Auditors, HDC has conducted its Internal Audit Internal Assessment for 2020. This assessment is part of HDC's Quality Assurance and Improvement Program as dictated by the IPPF and helps to ensure that HDC's internal audit function operates effectively. The attached assessment outlines the structure and activities of the internal audit department for calendar year 2020, including all audits completed, projects and initiatives, governance and oversight activities, and updates regarding employee development and ongoing training that helps to ensure that staff remains current on internal audit best practices. As COVID impacted HDC in 2020 and the department had some staffing challenges, the focus shifted to those areas Internal Audit felt needed attention, such as updating the Corporation's Business Continuity Plan. Another focus was starting and coordinating the work of HDC's PII Working Group. The PII Working Group finalized the Corporation's Privacy Policy last summer, and earlier this year, finalized the Corporation's PII Policy. Ms. Hom concluded by noting that this group will continue its work into 2021 as HDC seeks to roll out training to staff around identifying and securing PII.

Mr. Gould then called upon Ms. Hom to present the Audit Committee Charter. Ms. Hom recommended that the Members approve the Audit Committee Charter as presented today. HDC's Audit Committee Charter requires an annual review by the Committee to determine the Charter's adequacy. The last time the Audit Committee reviewed and approved the Audit Committee Charter was May 21, 2020. There has been one revision to the Charter on page 4 regarding the addition of a complaint intake form on the Corporation's website. Mr. Gould then called for a motion to approve the Audit Committee Charter. Mr. Kyle Kimball made a motion to approve the Audit Committee Charter and the motion was seconded by Ms. Denise Scott. The Audit Committee Charter was approved.

Mr. Gould then called on Ms. Hom regarding a request to move the meeting into Executive Session. Ms. Hom reported that the next Internal Audit report to the Committee pertains to the Corporation's cyber security protocols. Since this information is highly sensitive, Ms. Hom requested that the Audit Committee move to Executive Session for the purpose of presenting and discussing this report. Mr. Gould made a motion to move to Executive Session. The motion was seconded by Ms. Denise Scott, and the meeting was moved into Executive Session at 10:22 a.m.

At 10:32 a.m., the Audit Committee returned from Executive Session, and Mr. Gould noted that the Committee made no decisions and did not vote on any matters while in Executive Session.

Mr. Gould then turned the committee's attention to Ms. Cathleen Baumann, Senior Vice President and Treasurer of the Corporation for other business. Ms. Baumann reported that HDC and HPD, in conjunction with our partners, are making significant strides in housing homeless New Yorkers. In 2020, over 1,200 homeless households were placed in HDC/HPD assisted developments. Projections indicate that over the next twelve months, 3,300 homeless referrals will be housed in our developments. This success is due in part to changes in our marketing guidelines, which now require 15% of units be set aside for homeless households, as well as the creation of augmented City Family Homelessness & Eviction Prevention Supplement vouchers.

HPD currently handles all homeless placements in HDC's affordable housing portfolios. The HPD Homeless Placement Services' team matches homeless applicants to available units, assists landlords through the qualification process, and tracks every step of the applicant's process through tenancy, all in coordination with the New York City Human Resources Administration and the New York City Department of Homeless Services. Substantial increases in homeless placements have created staffing capacity issues for HPD's Asset Management team that jeopardize the timely placement of homeless applicants, and this requires an immediate solution. As such, HPD has requested that HDC temporarily assist HPD with the homeless placement process for the anticipated 1,000 HDC-financed homeless set-aside units becoming available over the next twelve months.

HDC researched alternatives to address this HPD capacity issue which included: creating a new division at HDC modeled after HPD's Homeless Placement group, contracting with a third-party vendor, and increasing capacity at HPD through the hiring of temporary staff. The first two options presented logistical and technical challenges that would delay relief and exacerbate the timely placement of homeless households. This includes time needed for a hiring process, a very steep learning curve with a newly created division at HDC, and the near impossibility of connecting to DHS' IT systems, since HDC is not setup on the City's IT systems.

Therefore, HDC determined that the best solution would be to provide HPD with support staff through temporary hiring contracts over the next twelve months. Given HPD's existing infrastructure and expertise in placing homeless households, this is the most efficient solution at this time.

In addition, keeping HPD as the primary agency for the coordination and placement of the City's most vulnerable population has the added benefit of eliminating any confusion for landlords, agency partners, and housing applicants, as the homeless placement process remains centralized with HPD. Most importantly, this option keeps the pipeline moving, avoids a backlog in homeless placements, and helps ensure that homeless households move into permanent housing more rapidly.

As a result of this solution, a Memorandum of Understanding (MOU) between HPD and HDC has been executed providing for the hiring of five (5) temporary employees through their existing vendor for a period of twelve months at a cost of $330,000 to HDC. As this will cross two fiscal years, HDC will incur a cost of approximately $165,000 this fiscal year and again next fiscal year, which will be charged to the Temporary Staff line on the Corporation's operating budget.

Ms. Scott asked whether this includes an effort to move families out of the temporary hotels into permanent or supportive housing. Ms. Scott noted that during COVID, a lot of people were housed in hotels. Mr. Enderlin answered that this could be part of the effort, but it's part of the bigger homeless placement piece between HPD and DHS. The primary function is to keep the pipeline and the marketing and placement moving expeditiously. Ms. Scott noted that this is likely to be controversial. Mr. Gould noted that there have been several press articles on converting the hotels into permanent housing and asked whether this has momentum. Mr. Enderlin answered that HDC has looked at this, and it's difficult to gauge at this point. The Corporation is working on one hotel project which the Members will see eventually, but it does not look like something with a lot of traction broadly at this time.

At 10:39 a.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

VRoberty

Violine Roberty

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

June 2nd, 2021

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
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.
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.

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

October 5th, 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, October 5th, 2021.

The meeting was called to order at 11:35 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 June 2nd, 2021 meeting. The minutes were approved.

Mr. Gould turned to Ms. Cathleen Baumann, Senior Vice President and Treasurer of the Corporation, to provide an overview of the agenda. Ms. Baumann briefly provided an overview of the agenda.

Mr. Gould then turned to Mr. Louis Roberts of Ernst & Young to present the firm's audit plan for HDC's Fiscal Year 2021, which ends on October 31st. Mr. Roberts started his presentation by extending condolences to the HDC family for the passing of Mr. Richard Froehlich, First Executive Vice President of the Corporation. Mr. Roberts then continued his report noting that last year was his fifth year serving as lead audit partner with the Corporation and under the NY State Public Authorities Act, he is required to assign the account to another partner. Mr. Roberts introduced Ms. Danielle Hurlburt, partner at Ernst & Young, who will take his place, and Erin Montgomery who is a senior manager in her second year working with the HDC Audit team.

Mr. Roberts turned to Ms. Hurlburt to provide additional details on the audit plan. Ms. Hurlburt turned the Committee's attention to page 1 of the Ernst & Young audit plan booklet to highlight what's new for the year. Ms. Hurlburt noted that there is one new accounting standard that the Corporation intends to adopt in the 2021 financial statements which is GASB Statement 87 related to leases; Ernst & Young has been working with the HDC team to prepare to implement GASB 87. Ms. Baumann added that the Corporation only has a few leases in place such as the copiers, company cars and office space, of which there is only one year left, and she does not expect any major impact on the financial statements. Ms. Hurlburt continued with the Ernst &Young action items and noted that they have started the walk-through process and will continue to work throughout October to December. Ms. Hurlburt noted that they will return to the Audit Committee in late January as in previous years, and will be prepared to issue the audited financial statements in the same time frame. Ms. Hurlburt highlighted Ernst & Young's digital commitment noting that last year they worked in a fully remote environment and will continue to use the secure site to share documents. Ms. Hurlburt stated that Ernst & Young will be able to perform the audit in a remote environment due to their extensive investment in technology. Ms. Hurlburt then turned to Ms. Erin Montgomery to go through the audit plan procedures. Ms. Montgomery gave an overview of the plan procedures and concluded her report.

Mr. Gould then turned to Ms. Mary John, Controller, to report on the Corporation's third quarter financial statements of fiscal year 2021 covering the period from November 1, 2020 thru July 31, 2021. Ms. John noted that at the end of the third quarter the Corporation's Net Income was $201.7 million, up from $193.7 million, a 3.96% increase compared with the same period last year. The increase was primarily due to higher revenues from mortgage interest income and loan related fees. However, this increase was offset by a 64.9% decrease in earnings on investments as a result of the current low interest rate environment. Total assets were at $24.2 billion, an increase of $2.2 billion or 9.9% from fiscal year end 2020. The increase was due to the Corporation's mortgage lending activities; mortgage advances as of the third quarter were in excess of $2.4 billion. HDC's mortgage loan portfolio, which comprises 76.9% of total assets, has performed well, and delinquency rates have remained below 1% of monthly billings. Total Liabilities were $20.5 billion, an increase of $2.0 billion or 10.7% from fiscal year end 2020. There was a net increase in Bonds Payable of $1.4 billion, and bond issuances as of the third quarter were $2.3 billion, offset by $959.0 million in principal repayments. Net Position at the end of the quarter was $3.5 billion, an increase of $201.7 million, or a 9.3% increase from fiscal year end 2020. The increase was generated from operating revenues of $504.2 million, operating expenses of $328.9 million, and non-operating revenues of $26.4 million (primarily from investment income).

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 August 31, 2021. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of April 30, 2021. During this time, the Corporation issued four series of Open Resolution bonds in the amount of $640 million. In addition, fourteen series of Open Resolution LIBOR indexed floating rate bonds in the amount of $646.5 million were tendered and remarketed as SOFR indexed floating rate bonds into one consolidated series of bonds. Ms. Duffy further noted that there were bond redemptions in eleven series of Open Resolution bonds in the amount of $181.9 million, one series of Multi Family Secured Mortgage Revenue Bonds ("Mini-Open") in the amount of $39.8 million, and three stand-alone bond series in the amount of $29.1 million. The Corporation's debt outstanding as of August 31, 2021 is approximately $14.26 billion. The Corporation's statutory debt capacity is $15.5 billion. The bill to increase the Corporation's debt limit to $17 billion has been approved by the NYS legislature. It has been submitted to the Governor for signature. Mr. Gould asked whether there is a perspective date of when the governor will sign, and Ms. Duffy answered that the Corporation will continue monitoring, but is hopeful that Governor Hochul will sign the bill soon.

Mr. Gould turned again to Ms. Duffy to provide the Corporation's Investment Report as of September 20, 2021. Ms. Duffy noted that funds under management totaled approximately $5.995 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 Committee is dated August 31, 2021. The previous report to the Audit Committee was dated April 30, 2021. 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 52% of total investments, versus 48% at the last report. Investments rated triple-B or not rated were 27% 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 exposure to liquidity providers was $390.9 million, up from $348.8 million at the last report. Since the last report, HDC added a $100 million Barclays Bank line for the 2021 Series F-3 bonds, while the $57.69 million Wells Fargo line expired with the redemption of the 2017 Series C-4 bonds.

Mr. Gould then called upon Ms. Hom to present the Internal Audit reports. Ms. Hom reported that two internal audits were completed since the last report to the Audit Committee -- Reserve for Replacement and Portfolio Inspections. On the Reserve for Replacement audit, the primary audit objectives were: (1) To determine the adequacy and effectiveness of control over the HDC Reserve for Replacement (R4R) process; (2) To determine compliance with HDC Asset Management R4R request for payment guidelines and the payment disbursement process, and ensuring that relevant documentation is saved in the project folder; (3) To determine if the R4R process is properly tracked and monitored by the department head; and (4) To determine the accuracy of the R4R payment amount, and ensure the payment was accurately recorded in the General Ledger (GL). Upon completion of the audit, there were no matters involving internal controls that were considered material weaknesses. Key aspects of the R4R guidelines were followed, and project requests for reimbursement were properly submitted, documented, and accurately recorded in the project GL accounts. While guidelines for processing R4R requests exist, Internal Audit recommended that a checklist be developed to help guide the process, and that staff training be enhanced to ensure consistent application of the R4R process. Management has indicated that they have begun to work on implementing these recommendations. On the Portfolio Inspections audit, the primary audit objectives were: (1) To determine compliance with the Corporation's policies and procedures relating to the timely completion of required annual physical inspections (API) for projects financed by HDC; (2) To assess the accuracy of Asset Management's portfolio of properties required for inspections; and (3) To evaluate completeness of Engineers' APIs for properties reviewed as part of this audit. Upon completion of the audit, Internal Audit noted no matters involving internal controls that were considered material weaknesses. APIs that were reviewed as part of this audit were accurate, properly assigned, and performed on a timely basis. While guidelines exist for property inspections, Internal Audit recommended development of a comprehensive policy and procedure document that provides guidance to staff on their responsibilities and establishes criteria for when an API is or is not required. Management is in agreement with this recommendation and will work to assemble this document in the near-term.

Mr. Gould then turned the committee's attention to Ms. Cathleen Baumann, Senior Vice President and Treasurer of the Corporation, to request approval of the adoption of a credit card policy. Ms. Baumann reported that the Corporation is seeking the Members' approval of the adoption of a corporate credit card policy. The main purpose of the policy is to eliminate the financial burden on HDC staff who currently use their personal credit cards during HDC business related travel.

Ms. Baumann reported that the proposed Corporate Credit Card Policy outlines significant controls that will be in place to ensure the proper use of the corporate credit card. HDC will designate a limited, small number of executives and two executive assistants to have the credit card information. HDC's proposed Corporate Credit Card Policy is in compliance with the New York City Department of Investigation ("DOI") Citywide Recommendations regarding credit cards distributed to agencies on March 20, 2018.

Since the adoption by the HDC Board of a Policies and Procedures Recommendations Memo in 2003 that addressed certain policy and procedural changes designed to assure oversight of the expenditures of the Corporation, the Corporation's Internal Audit department has annually audited petty cash, personal expense reimbursements and the President's office expenses. Internal audit findings in the years subsequent to the adoption of the Policies and Procedures Recommendations have been clean, and one of the recommendations in recent years has been to institute a corporate credit card policy to enhance transparency and oversight of employee expenses.

Ms. Baumann concluded by noting that upon approval of HDC's Corporate Credit Card Policy by the Audit Committee Members, it will be presented to the full HDC Board for ratification. Ms. Baumann noted that with the upcoming officer promotions and appointments, the new titles will be reflected in the proposed Policy. If any changes to the Corporate Credit Card Policy are deemed necessary in the future, HDC staff will bring those changes to the HDC Audit Committee.

Ms. Baumann then called for approval of HDC's Corporate Credit Card Policy, and the Members approved the adoption of the HDC Corporate Credit Card Policy.

At 12:02 p.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

VRoberty

Violine Roberty

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

October 5th, 2021

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
Erin Montgomery	Ernst & Young
Danielle Hurlburt	Ernst & Young
Eric Enderlin	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.
Trisha Ostergaard	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.

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

November 30th, 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, November 30th, 2021.

The meeting was called to order at 1:36 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 October 5th, 2021 meeting. The minutes were approved.

Mr. Gould turned to Ms. Cathleen Baumann, Executive Vice President and Treasurer, to provide an overview of the agenda. Ms. Baumann briefly provided an overview of the agenda.

Ms. Baumann then turned to Mr. Eric Enderlin, President, to provide an update on the Corporation's return to office and other business. Mr. Enderlin noted that the return to office is very successful thus far and the staff is adjusting well. Mr. Enderlin further noted that the Corporation is very proud to have a 100% COVID-19 vaccination rate for its employees. Mr. Enderlin stated that the Corporation's portfolio has been performing well with 6 projects requesting forbearance and that there were 49 projects which gained access to reserves, but the portfolio is doing well overall. Mr. Enderlin continued his report noting that the Corporation is on a deadline for office space with the lease for the current space expiring next year. The Corporation is still deciding to either renew the lease or sign on a new space, and some of the budget planning is included in the budget presentation today. Mr. Enderlin thanked the Members for their work and support during the restructuring and staffing plan last month, and the adjustments after the passing of Mr. Richard Froehlich, First EVP & Chief Operating Officer of the Corporation.

Mr. Gould then turned to Ms. Ellen Duffy, Executive Vice President of Debt Issuance and Finance, to present the Corporation's Debt Report as of October 31, 2021. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of August 31, 2021. During this time, the Corporation issued four series of Open Resolution bonds in the amount of $503.6 million. There were bond redemptions in one series of Open Resolution bonds in the amount of $85.95 million, and three stand- alone bond series in the amount of $21.2 million. The Corporation's debt outstanding as of October 31, 2021 is approximately $14.5 billion. The Corporation's statutory debt capacity is now $17 billion. The bill to increase the Corporation's debt limit from $15.5 billion to $17 billion was signed by the Governor on November 8, 2021.

Mr. Gould then turned again to Ms. Duffy to present the Corporation's revised Bond Reserve Policy. Ms. Duffy noted that the original policy and memo are included in the Member materials. On April 2, 2013, senior management requested that a policy correlating with the size of certain corporate obligations be formally approved by the Members. This policy was originally called the Rating Agency Reserve but has been renamed the Bond Reserve because this reserve is not directly requested by the rating agencies; however, the Reserve is a very important positive aspect of the rating analysis. In addition to changing the name of this reserve, senior management is changing the percentage funded due to the Open Resolution's continued performance, growth, and strength. Considering what the Corporation has set aside in its Bond Reserve over the years relative to the bonds outstanding in the Open Resolution, the average reserve balance over the last six years was 2.23% of the long-term bonds outstanding. In 2013, when this policy was first approved, we assumed a 5% annual growth rate. However, over the past six years the Corporation's growth in long term bonds outstanding has been 14.8%. Ms. Duffy further noted that based on the strong performance of the Corporation's diversified and seasoned mortgage portfolio, and the rating agencies assessment that the Open Resolution has very strong coverage, liquidity, and overcollateralization, senior management recommends lowering the required Bond Reserve balance to between 1.50% to 2.00% of the long-term bonds outstanding in the Open Resolution. After debt service on the Open Resolution was paid on November 1, 2021 and certain redemptions made, the amount of long-term bonds outstanding in the Open Resolution is approximately $8.0 billion. Due to the higher amount of bonds outstanding, the strong, diversified cash flow in the Open Resolution, and the $49 million of guaranty and working capital reserves currently cash funded, HDC staff recommends that the Reserve should be increased from $140 million to $150 million at this time which is equal to 1.87% of the long-term bonds outstanding. Staff recommends that the Members approve the attached Revised Bond Reserve Policy. The Members approved the policy.

Ms. Duffy continued with the Corporation's Investment Report. Ms. Duffy noted that the Corporation's Investment Report is as of November 8, 2021. Ms. Duffy reported that funds under management totaled approximately $5.4 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 noted that the unaudited report detailing the Corporation's counterparty exposure is as of October 31, 2021. The previous report to the Audit Committee was dated August 31, 2021. 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 51% of total investments, versus 52% at the last report. Investments rated triple-B or not rated were 27% of total investments, unchanged versus the last report, and are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. Finally, Ms. Hom reported that HDC exposure to liquidity providers was $305.0 million, down from $390.98 million at the last report. Since the last report, the 2017 Series G-3 bonds under the $85.95 million Wells Fargo facility were retired.

Mr. Gould then called on Ms. Hom to present the Internal Audit report. Ms. Hom reported that since the last report to the Audit Committee on October 5, 2021, one internal audit was completed – an agile audit of Underwriting Standards. Here the objectives were to: (1) determine if credit memos were properly approved and signed; (2) determine if the underwriting of loans was done in accordance with the applicable term sheet and reflected in the credit memo; and (3) review accuracy of amounts, terms, and critical information recorded in underwriting and supporting documentation. Ms. Hom reported that there were no material misstatements or inaccuracies in the data reviewed. Critical underwriting documents were completed, credit memos were properly approved, and key aspects of program term sheets were followed. Opportunities exist to further enhance controls for underwriting loans and maintaining loan records, and management is addressing these enhancements in the implementation of a new software to manage development pipeline and process.

Mr. Gould then called on Ms. Hom for the presentation of a proposed Internal Audit plan for 2022. Ms. Hom noted that after careful performance of the annual risk assessment process, which included individual discussions with Members of the Audit Committee, as well as team discussions with the various departments across the Corporation, Internal Audit has developed a plan that seeks to assess various areas of risk for review during the year. This proposed plan includes a combination of assurance audits, agile audits, continuous monitoring, and special projects. The proposed Internal Audit plan for 2022 includes: seven assurance audits; two advisory engagements; four agile audits; two special projects; and continuous monitoring of the HDC investment portfolio, employee expenses, President's Office expenses, and petty cash. Ms. Hom concluded by thanking the Members as well as the leadership and staff of the Corporation for their input in the creation of this plan. Hearing no questions, Ms. Hom requested approval of the 2022 Internal Audit Plan, and the Plan was approved.

Mr. Gould then turned the Committee's attention to Ms. Cathleen Baumann, Executive Vice President and Treasurer, to request approval of the Procurement Guidelines of the Corporation. Ms. Baumann reported that pursuant to the Public Authorities Accountability Act of 2005, HDC is required to have its Members annually review and approve the Procurement Guidelines of the Corporation. After approval, the Guidelines are submitted to the Office of the State Comptroller, through its Public Authorities Reporting Information System ("PARIS"). The Guidelines are also published on the Corporation's website. Updates to the Guidelines are related to changes of titles due to the reorganization and expansion of the HDC executive staff in October 2021. There are no other changes to the Guidelines. The Members were asked to approve the Corporation's updated Procurement Guidelines and the Members approved the Guidelines.

Mr. Gould then turned to Ms. Erin Montgomery from Ernst & Young for a brief update on the Corporation's annual audit. Ms. Montgomery noted that Ernst & Young has kicked off the audit for fiscal year 2021. The E&Y team is expecting to have a draft financial statement soon, and Ms. Montgomery noted that the timing of the audit is consistent with last year and might be a bit ahead of schedule.

At 1:53 p.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

Violine Roberty

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

November 30th, 2021

ATTENDANCE LIST (VIRTUAL MEETING)

NAME	**AFFILIATION**
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Kyle Kimball	Audit Committee Member
Erin Montgomery	Ernst & Young
Eric Enderlin	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.
Alex Medina	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.
Trisha Ostergaard	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.