ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MINUTES
January 18, 2019

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on January 18, 2019 at 111 East Wacker Drive, Chicago, Illinois at 10:00 a.m. Attending the meeting were Mr. King Harris, Ms. Karen Davis, Ms. Mary Kane, Ms. Luz Ramirez, and Mr. Sam Tornatore for the Members. Also attending the meeting were Mr. John Janicik of Mayer Brown, Mr. Jeff Gertz of J.P. Morgan, Mr. Kevin Barney of Kutak Rock, Mr. Tom Coomes and Mr. Mike Koessel of Citi, Mr. Joe Monitto of Bank of America Merrill Lynch, Ms. Susan Jun of Morgan Stanley, and Mr. Bob Cafarelli of Zions Bank, Ms. Cynthia Reis and Mr. Jonathan Glover of BNY Mellon, Ms. Heather Weiner and Mr. Nick Vallorano of Mayer Brown, Mr. Guy Spieler of Churchill Statewide Securities, Mr. Steven Harris of Transamerica, and Mr. Timothy Hicks of the Forest Preserve District of Cook County. For the Authority staff, Mr. John Chung, Ms. Tara Pavlik, Mr. Andrew Nestlehut, Ms. Nandini Natarajan, Ms. Audra Hamernik, Ms. Debbie Olsen, Ms. Christine Moran, and Mr. Tim Veenstra were present.

Meeting commenced at 10:01 a.m.

Ms. Kane motioned to approve the December 14, 2018 Finance Committee meeting minutes as presented.

ONGOING ACTIVITIES

Discussion: Monthly Interim Financial Statements.

Ms. Natarajan provided an update on the Authority's Monthly Financial Statements for the period of July 1, 2018 through December 31, 2018 and compared actual results to the FY2019 budget. Administrative Fund operating revenues are approximately $25.5 million, $2.5 million above budget. Origination fees are higher from the timing of tax credit reservation and other fees collected on new multifamily loans.

Ms. Natarajan continued: Governmental Funds' reimbursements, (submitted quarterly) are estimated at $7.4 million or $1.6 million under budget through December mainly due to lower activity in the Hardest Hit Fund and Illinois Affordable Housing Trust Fund, offset by increases in the Residential Housing Support Program. Governmental Funds' operating expenses are approximately $7.6 million, $1.6 million under budget due to lower counseling fees, closing costs, and salaries and benefits in the Hardest Hit Fund. Total government operating results are at a loss of approximately $0.3 million in part due to program expenses incurred for the BIBP, NSP, ARRA, Section 811, and CDBG programs which do not have reimbursable options at this time. Most other government programs are estimated to be fully reimbursed for the first six months of this fiscal year's expenses.

Ms. Natarajan continued: Total Administrative Fund operating expenses are approximately $22.2 million, $4.4 million under budget. Several categories are currently favorable to budget; salaries and benefits ($2.0 million) due to the timing of new hires, professional fees ($1.6 million) due to the timing of contractual payments, technology management ($0.4 million), and training and public relations ($0.3 million).

Ms. Natarajan stated: Regarding FY2019 vs. FY2018, Total Administrative Fund operating revenues through December 31, 2018 are $25.5 million, $7.9 million below last year mainly due to lower investment income ($6.4 million) resulting from changes in market conditions and lower origination fees ($1.4 million) with fewer new loan closings in the current year. Quarterly Governmental Funds' reimbursements are $7.4 million, $0.1 million increase over last December and operating expenses are approximately $7.6 million, $0.1 million over last year. The majority of government programs are estimated to be fully reimbursed for the first six months of this fiscal year's expenses. Total Administrative Fund operating expenses are approximately $22.2 million, $1.3 million over last year due to higher salaries and benefits ($1.4 million) resulting from increased headcount and merit increases and financing costs ($0.5 million) due to timing of financings, offset by lower professional fees ($0.6 million).

Discussion: Multifamily Update.

Ms. Moran stated: Multifamily has 75 projects in the pipeline. The partial government shutdown was discussed. These discussions revolved around the impact to IHDA's portfolio, including our HUD rental assistance contracts. There were also discussions around some internal mitigations of maintaining payments for smaller developments and the number of properties which are being impacted.

Discussion: Homeownership Mortgage Program Update.

Ms. Pavlik stated: Reservations for December 2018 were at 396 first mortgage loans or $50.84 million, 202 or $29.12 million for GNMA and 194 or $21.72 million for Fannie Mae. Prior year reservation comparisons for the month of December 2017 were at $45.14 million, $23.13 for GNMA and $22.00 for Fannie Mae.

Ms. Pavlik continued: Through December and over the life of the program, 99.47% of all borrowers have been utilizing our Down Payment Assistance; the Program has a 20.29% fallout rate. Our current pipeline is $101.58 million.

Overall 53% of our borrowers are using a Conventional product and 46% are using an FHA Regular product, 1% for USDA, and 0% for VA.

There were no new counties in our 100 county program footprint.

New Business

Resolution Authorizing the Issuance of Revenue Bonds 2019 Series A and B.

Mr. Nestlehut discussed the Board Memo for the issuance of Revenue Bonds 2019 Series A and B (Offered Bonds) at a cost not to exceed $100,000 aggregate principal. The 2019 Series A and B bonds are a tax-exempt new money bond. The 2019 Series A bonds include tax-exempt fixed rate bonds and the Series B bonds consist of tax-exempt variable rate bonds. Both series are special limited obligations of the Authority collateralized by single family mortgage-backed securities and will be issued on a parity basis with all previously issued bonds in revenue bonds indenture. Final maturity for any 2019 Series Bonds are no later than 35 years after the issuance of the bonds with interest rates for fixed rate series not to exceed 5.5% per annum, interest rates for variable rate series bonds not to exceed 12% per annum.

Mr. Nestlehut continued: The purpose of the Offered Bonds is for new money to redeploy capital for future originations and lock in long-term spread for the Authority. As a whole, the Offered Bonds will create additional subsidy for future use of the Authority.

Mr. Nestlehut stated: The bonds will be structured as follows: The 2019 Series A will be fixed rate debt, new money issuance, AAA rated securities to strengthen the credit of the indenture with planned amortization class (PAC) bond premium used for down payment assistance. The 2019 Series B bonds will be variable rate debt, new money issuance, AAA rated securities to strengthen the credit of the indenture, with swap agreement to hedge against interest rate risk and lower cost of funds. Interest rate risk can be mitigated by purchasing an interest rate swap to protect against upward interest rate movement.

Mr. Nestlehut continued: Slides describing the interest rate risk hedge structure, parameters, and considerations were reviewed as were the debt profile, schedule, and transaction participants.

Resolution Authorizing Permitted Financial Activities.

Mr. Nestlehut provided a summary of 2Q19 permitted financial activities. The first slide showed a breakdown of our portfolio at 0.80% with a market value of $10,265,938 in Money Market Funds, 58.57% with a market value of $758,184,269 in Mortgage Backed Securities, 36.12% with a market value of $460,101,492 in US Agencies, 3.98% with a market value of $51,543,598 in US Treasuries, 0.51% with a market value of $6,534,010 in Certificates of Deposit, and 0.02% with a market value of $250,000 in Municipalities.

Mr. Nestlehut continued with the following slides which contained information on Purchases, Sales and Maturities, Return of Investments, New Issuance of Homeowner

Mortgage Revenue Bonds, Payouts and Draws, Bond Debt Service and Interest Rate Risk Management.

Ms. Kane adjourned the meeting at 10:37 a.m.