ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MINUTES
May 18, 2018

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on May 18, 2018 at 111 E. Wacker Drive, Chicago, Illinois at 10:00 a.m. Attending the meeting were Ms. Mary Kane; Mr. King Harris; Ms. Luz Ramirez; Ms. Karen Davis; Ms. Alyssa Rapp and Ms. Reyanna James, Intern to Ms. Alyssa Rapp for the members. Also attending the meeting were Mr. Scott Schmitt; Mr. Scott Graham and Mr. Jonathan Glover of US Bank; Ms. Natalie Moretz; Mr. Tom Coomes and Ms. Helen Easterling of Citigroup; Ms. Jennifer Fredericks; Ms. Cindy Reis; Ms. Nicolette Cameron and Ms. Allison Pink of BNY Mellon; Mr. Ryan Pollihan of Zions Bank; Mr. Ansel Caine of Caine Mitter; Ms. Susan Jun of Morgan Stanley; Mr. Jeff Gertz of JP Morgan; Mr. Nick Vallorano of Mayer Brown; Mr. Steve Abbey of Huntington Bank; Mr. Bob Foggio of Jefferies; Ms. Michelle Kim of Bank of America Merrill Lynch; Mr. David Petroni of PIRHL and Mr. Dan Gutman of CIBC. For the Authority staff, Ms. Nandini Natarajan; Mr. John Chung; Ms. Audra Hamernik; Ms. Deb Olson; Ms. Vanessa Boykin; Ms. Tara Pavlik; Mr. Andrew Nestlehut; Ms. Christine Moran; Mr. Andy Decoux; Mr. Rich Ess; Ms. Laura Sayan; Ms. Jaime Campbell and Ms. Lily Benitez were present.

Ms. Kane approved the April 20, 2018 Finance Committee meeting minutes as presented.

Ongoing Activity

Discussion: Homeownership Mortgage Program Update.

Ms. Pavlik stated: Reservations for April 2018 at 606 first mortgage loans or $76.08 million; 264 mortgage loans or $36.69 million for GNMA and 342 mortgage loans or $39.39 million for Fannie Mae or conventional.

Ms. Pavlik presented a slide showing prior year reservation comparisons for the month of April 2018. Reservations in April 2017 were $33.4 million for GNMA and $34.8 million for Fannie for a total of just over $68.2 million.

Ms. Pavlik continued: Through April 2018 and over the life of the program, 99.38% of all borrowers have been utilizing our Down Payment Assistant Program; we have a 20.56% fallout rate and our current pipeline is $113.24 million.

Overall 46% of our borrowers are using an FHA product, 1% for VA, 1% for USDA which is also in that GNMA bucket; 52% are Conventional.

Discussion: Multifamily Update.

Ms. Moran provided an update on the Authority's Monthly Multifamily Projects and Activities.

Discussion: Monthly Interim Financial Statements.

Ms. Boykin discussed the Authority's Monthly Interim Financial Statements by highlighting the Total operating revenues, Government reimbursements and Total operating expenses.

NEW BUSINESS

Resolution Rarifying Establishment of Loan Loss Reserve.

Ms. Boykin stated: For the Board's approval today will be the Ratification of the Establishment of Loan Loss Reserve as of March 31, 2018. The Loan Loss Reserves are at $50,235,382 and the Mortgage Participation Certificate Reserve is at $2,008,521.

Resolution Amending Financial Management Policy.

Mr. Nestlehut stated: The resolution is for the authorization to add three new selling groups to the Financial Management Policy - Fidelity, Robert Baird and UBS.

Ms. Natarajan stated that IHDA's rating on the Homeowner Revenue Bond resolution has been upgraded from Aa3 to Aa2 by Moody's.

Resolution Authorizing the Issuance of Homeowner Mortgage Revenue Bonds, 2018 Series A.

Mr. Nestlehut stated: This resolution is for Homeowner Mortgage Revenue Bonds, 2018 Series A.

IHDA is requesting to issue HMRB 2018 Series A to refund existing bonds with respect to existing mortgage loans and issue tax exempt new money bonds. Series A1 is contemplated to be fixed rate, new money issuance . Series A2 is contemplated to be variable rate, new money issuance and Series A3 is contemplated to be fixed rate, refunding issuance. The HMRB 2018 Series A bonds will be special limited obligation of the Authority and on parity with all previously issued bonds under the indenture.

The purpose of the 2018 subseries A1 and A2 bonds is to issue new money to redeploy capital for future originations and lock in long term spread for the Authority. The purpose of the A3 bond is to reduce cost of existing higher rate debt and increase the net position of resolution. As a whole, the issuance will create additional subsidy for future us of the Authority at an approximate amount of $12 million.

The structure of issuance for 2018 Series A will be approximately $67.5 million of new money fixed rate debt and will contain a Planned Amortization Class ("PAC") bond in which the premium will be used to fund down payment assistance. The assets will be AAA rated securities, which will strengthen the credit of the indenture.

The 2018 subseries A2 bonds will be approximately $30 million of new money variable rate debt. It will contain a SWAP agreement to hedge against interest rate risk and lower cost of funds.

The 2018 subseries A3 bonds will be approximately $23.115 million of fixed rate refunding bonds and they will refund existing rate higher debt. The net present value savings is between 4.47 – 2.23% based on 100-300 PSA, respectively.

The interest rate risk can be mitigated by purchasing an interest rate swap to protect against upward interest rate movement.

Mr. Nestlehut presented slides showing the Interest Rate Risk Hedge Structure; Interest Rate Risk Hedge Parameters; Interest Rate Risk Hedge Considerations and HMRB Debt Profile.

Mr. Nestlehut continued: The resolution request is for the authorization to issue Homeowner Mortgage Revenue Bonds, 2018 Series A not to exceed $150 million in aggregate principal amount. Final maturity no later than August 1, 2049, Bond interest rate on fixed rate series bonds t not exceed 8% per annum and bond interest rate on variable rate series bonds to not exceed 12% per annum.

Target closing is July 11, 2018.

Resolution Authorizing Multifamily Housing Revenue Notes, 2018 Series A, B & C (Oso Apartments).

Mr. Chung stated: This resolution is for Multifamily Housing Revenue Notes, 2018 Series A, B & C for Oso Apartments.

IHDA will issue three series of Notes to finance the acquisition and rehabilitation of Oso Apartments, containing 48 units located at 3435-3441 West Montrose in Chicago. All three Notes will be purchased by Citi Community Capital. It is a Conduit financing – Privately offered and tax exempt notes with the Series A Note being fixed rate, and long term and the Series B and C Notes being variable rate, and short term. It is a limited obligation with no credit risk to the Authority.

IHDA will continue to provide financing during the permanent phase by issuing bonds to take out Multifamily Housing Revenue Note 2018 Series A bonds (the "Refunding Bonds"). The Refunding Bonds will be issued out of IHDA's Multifamily Revenue Bonds Indenture. The Refunding Bonds are to be backed by FHA risk share insurance and rated at the Aaa level by Moody's. The Refunding Bonds are intended to be issued at the time of project stabilization and receipt of FHA risk share insurance. Citi Community Capital will be the sole investor of the Refunding Bonds and the purchase will be governed by a forward bond purchase agreement.

The resolution request is for the authorization Series A Note amount not to exceed $4 million, interest rate not to exceed 7% and a maturity not to exceed August 1, 2062; Series B Note amount not to exceed $3.5 million, interest rate not to exceed 12% or the Illinois state maximum rate and maturity not to exceed August 1, 2022; and Series C Note amount not to exceed $5.5 million, interest rate not to exceed 12% or the Illinois state maximum rate and maturity not to exceed August 1, 2022.

The resolution also requests the authorization of Refunding Bonds, Multifamily Revenue Bonds amount not to exceed $4 million, interest rate not to exceed 8% and weighted average maturity to not exceed the weighted average maturity of the refunded bonds.

Target closing is August 15, 2018.

Resolution Authorizing the Issuance of Multifamily Revenue Notes, Series 2018A and 2018B (Bethel Terrace Apartments).

Mr. Ess stated: This resolution is for Multifamily Revenue Notes, Bethel Terrace Apartments.

IHDA will issue Series 2018 A & B Notes to finance the acquisition and rehabilitation of Bethel Terrace Apartments, containing 123 units located at 900 West 63rd Parkway in Chicago. Both Notes will be short term, tax-exempt, variable rate and privately placed directly with PNC Bank. Series A Notes will initially be collateralized by funds from IHDA's Administrative Fund then be repaid within one day with cash proceeds from a permanent risk share loan certificate purchased by the Federal Financing Bank. Series A Notes will be non-recourse to IHDA while the Series B Notes will be guaranteed by IHDA's general obligation.

The resolution request is for the authorization of Series 2018 A and B Notes not to exceed $15 million; make an Insured Mortgage Loan in an amount not to exceed $12 million pursuant to the Series A Notes with moneys advanced from the Administrative Fund, to be reimbursed by proceeds of a participation certificate purchased by the Federal

Financing Bank. Final maturity no later than 36 months and interest rate not to exceed 12% per annum or maximum interest rate under Illinois law.

Target Closing is July 12, 2018.

Ms. Kane adjourned the meeting at 10:33 a.m.