ILLINOIS HOUSING
DEVELOPMENT AUTHORITY

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**FINANCE COMMITTEE MEETING MINUTES**
**Friday, December 16, 2022**

The hybrid meeting of the Finance Committee of the Illinois Housing Development Authority took place virtually via Zoom on Friday, December 16, 2022, at 10:00 a.m. Attending the meeting were Finance Committee Chair, Mr. Sam Tornatore, Mr. King Harris, Ms. Luz Ramirez, Ms. Sonia Berg, Mr. Tom Morsch, and Mr. Tommy Arbuckle. Attending the meeting from IHDA were Ms. Kristin Faust, Mr. Ed Gin, Mr. Lawrence Grisham, Ms. Karen Davis, Ms. Maureen Ohle, Mr. Keith Evans, Ms. Christina Lopez, Ms. Christine Moran, Ms. Tracy Grimm, Mr. Tim Hicks, Ms. Tara Pavlik, Mr. Andrew Nestlehut, Mr. Muhammad Jalaluddin, Mr. Richard Ess, Mr. Javier Gumucio, Mr. Jack Wambach, Mr. Keith Pryor, Ms. Tracy Sanchez, Ms. Miriam Weaver, Ms. Jennifer Miller, Ms. Kathy Finn, Ms. Katherine Matcom, Mr. Steve Pyzik, Ms. Linda Brace, Ms. Cheramie Hibbler, Mr. Benjamin Medina, Mr. Joe Maniucu, and Ms. Sheri Geishecker. Our guest speaker was Mr. Ansel Caine from Caine Mitter.

**I.A**. Mr. Tornatore called the meeting to order at 10:00 a.m.

**I.B.** Ms. Geishecker called the roll. Mr. Tornatore, Mr. Arbuckle, Ms. Berg, Chairman Harris, Mr. Morsch, and Vice Chair Ramirez were present.

**I.C.** Mr. Tornatore called a motion for the approval of the November 18, 2022, minutes to be approved as presented. Motion carried.

**II.A. Multifamily Update**

Ms. Moran stated: We have four items on the main agenda today. Next month I will provide a recap 2022 as well as 2023 highlights. We have several transactions targeting a year-end closing. Our first Housing for Justice Involved Individuals Grant closed yesterday. The grant for the YWCA in Quincy will provide the funds to acquire and rehab a single family home and duplex that will house eight Housing for Justice Involved Individuals. The transitional housing and supportive services will allow these individuals to reunite with their minor children placed with DCFS while they were detained as well as provide life skills training, employment, educational support, and other supportive services to allow them to fully integrate into the community.

Ms. Moran concluded: Multifamily department updates: We reviewed seventy-two Preliminary Project Assessments and notifications for 2023 9% LIHTC round were issued December 13. We've started planning for the 2024-2025 QAP. Permanent Supportive Housing Applications are due today. We've had 25 potential applicants. Our FY2023 goal is to create 225 units.

## II.B. Single Family/Homeownership Update

Mr. Gumucio stated: Reservations for November 2022 were at 820 first mortgage loans or $136.12 million, 388 or $59.43 million for GNMA and 462 or $76.68 million for Conventional. Prior year reservation comparisons for the month of October were $113.48 million, $63.97 million for GNMA and $49.51 million for Conventional.

Mr. Gumucio continued: For November 2022, IHDA Mortgage Program Statistics were as follows: Access 4% accounted for 6.0% or $8.56 million, Access 5% accounted for 2.0% or $2.38 million, Access 10% accounted for 3.0% or $4.69 million, and Opening Doors accounted for 89.0% or $120.49 million for a total of $136.12 million. Geographical percentages were 18% for the Central region, 57% for Chicago, 12% for the Northwest, and 13% for the Southern regions, respectively. There are 2,016 loans in the pipeline at a total of $331.81 million. Timing from reservation to approved for purchase is 44 days average, 48 days average from reservation to purchase.

Mr. Gumucio concluded: IHDA Demographic Analysis compared to State of IL year-to-date race comparisons with the percentage of all applications is as follows: American Indian/Alaskan Native – 0.6% to 0.6% with .35% success rate, Asian/Pacific Islander – 1.3% to 5.9% with 6.29% success rate, Black – 18.8% to 14.6% with 5.05% success rate, Hawaiian/Other Pacific Islander – 0.07% to 0.1% with 0.07% success rate, White – 64.3% to 76.8% with 75.75% success rate, Two or More Races – 1.6% to 2.0%, Information not Provided/Unknown – 13.6% to N/A. Ethnicity comparison for Hispanic or Latino is 21.4% for IHDA compared to 17.5% for State of Illinois with 9.19% success rate. A graph comparing reservations for 2019 through 2022 was shared.

## III.A.1. Resolution Regarding Various Down Payment ("DPA") Programs

Mr. Nestlehut stated: The Authority has various Down Payment Assistance ("DPA") program established to continue to assist qualified homebuyers in the purchase of a primary residence throughout the State of Illinois. The Finance Department is recommending the following: 1) A request of $6,000,000 from the Homeowner Mortgage Revenue Bonds Indenture to continue the funding of the Access 10% program and is expected to provide assistance through the end of fiscal year 2023. 2) An administrative update for the use of the previous allocated Recycled BIBP funds to include the Access Programs underneath the current rate buy down program. Currently, these funds are only in use for the Opening Doors and Smart Buy programs**.** 3) for the Opening Doors program, we are recommending additional funding by utilizing investment and program income from the Opening Doors program be reallocated back into the program. This is consistent with other Authority operated programs, and we are anticipating an additional $300,000 for initial reallocation. 4) An administrative update for the funding sources of previously established DPA programs. In addition to the previously approved funding from IHDA Bond Proceeds, we are recommending expanding this to include Bond Indenture Funds and the Authority's Administrative Fund. These amounts will not change the $9MM previously authorized amounts.

**III.B.1. Resolution Authorizing the Issuance of Multifamily Housing Revenue Notes and Bonds, Series 2023 (12073 Poplar Place)**

Mr. Ess stated: This request is for the rehabilitation of 100 non-elderly units at 902 South 25th Street, Springfield, IL. IHDA will issue Multifamily Housing Revenue Note, Series 2023 and Multifamily Housing Subordinate Revenue Bonds, Series 2023 (Poplar Place) to finance the acquisition and rehabilitation of the project. The Note will be purchased by Town and Country Bank, or an affiliate thereof. The Subordinate Bonds will be purchased by Capital City Coalition NFP. This is conduit financing – the Series 2023 Note will be tax-exempt, privately placed, and short term. The Series 2023 Subordinate Bonds will be privately placed and tax-exempt through conversion and will convert to taxable post conversion. These are limited obligation - No IHDA G.O. For the permanent financing, IHDA will issue a $3,105,000 Federal Financing Bank loan which will be fixed rate, taxable, and have a 40-year maturity.

Mr. Ess concluded: This request is for the issuance of MHRN, Series 2023 (Poplar Place) in an amount not to exceed $16,000,000 with a final maturity no later than 36 months after issuance, and at an interest rate not to exceed the lesser or (i) 12% or (ii) the maximum rate permitted under Illinois law. This request is also for the issuance of MHSRB Series 2023 (Poplar Place) in an amount not to exceed $7,000,000 with a final maturity no later than 43 years after issuance and at an interest rate not to exceed 8.5%. The Aggregate is not to exceed $20,240,000. A projected schedule and list of transaction participants was shared.

**III.B.2. Resolution Authorizing the Issuance of Multifamily Housing Revenue Bonds, Series 2023 (South Shore Apartments, fka The Parkways)**

Mr. Ess stated: This request is for the rehabilitation of 446 non-elderly units at 1747-1757 East 67th Street and 6709 South Cregier Avenue, in the South Shore Neighborhood of Chicago, IL. IHDA will issue Multifamily Housing Revenue Bonds, Series 2023 (South Shore) to finance the acquisition and rehabilitation of the project. The Bonds will be publicly offered by Wells Fargo Bank, National Association, or an affiliate thereof. This is conduit financing – the Series 2023 Bonds will be tax-exempt, fixed rate and short-term. These are limited obligation - No IHDA G.O. The permanent financing will be a Wells Fargo FHA 221(d)(4) loan which will be fixed rate, taxable and long term.

Mr. Ess concluded: This request is for the issuance of MHRB, Series 2023 (South Shore) in an amount not to exceed $75,000,000 with a final maturity no later than 36 months after the date of bond issuance, and at an interest rate not to exceed 8.5% per annum. A projected schedule and list of transaction participants was shared.

**III.C. Presentation of Monthly Interim Financial Statements**

Mr. Hicks stated: Operating Revenues for YTD are $24.9M which is $2.3M favorable to budget and Administrative Reimbursements YTD are $17.5M. Key Drivers for the favorability in Operating Revenues is Ongoing Fees $2.6M and Origination Fees $3.4M offset by Investment Income down $3.8M.

Mr. Hicks continued: Operating Expenses for the Admin Fund YTD are $30.7M which is $7.2M favorable to budget while the Operating Expenses for the Government Funds YTD are 14.4M which is $4.9M favorable to budget. For the Admin Fund the Key Drivers are Salaries & Benefits of $1.6M favorable and Professional Fees $3.5M offset by Other Expense $0.1M unfavorable.

Mr. Hicks continued: Operating Revenues for the Admin Fund are unfavorable $22.8M and Administrative Reimbursements are unfavorable to prior year $4.6M. For Operating Revenues, key driver is Investment Income which is unfavorable $17.8M.

Mr. Hicks concluded: Operating Expenses for the Admin Fund are $8.9M favorable to prior year while the Expenses for the Governmental Funds are $8.1M favorable. Key Driver for both Admin Fund and Governmental Funds is Professional Fees and Temporary Employees.

**III.D. Capital Market Update**

Mr. Gin stated: I'd like to welcome Ansel Caine, Vice President of Caine Mitter & Associates. Caine Mitter focuses almost solely on Housing Finance Authorities, in fact 29 HFAs in 23 states are their clients. Caine Mitter is ranked the #1 financial advisor to HFAs by Bond Buyer Annual Review. They have advised on over $93 billion of municipal bond fundings over the last 44 years since its inception in 1978. Caine Mitter is IHDA's financial advisor and has been for over ten years. In fact, Caine Mitter ran IHDA's Capital Market activities until we brought them in house. The goal of today's discussion is to explain the impact of the rapid Federal Reserve interest rate hikes in the following three areas; 1. Investment Income, 2. Issuance of Mortgage Revenue Bond Indentures, and 3. Operating Budgets.

Mr. Caine stated: The dominant trend we saw in 2022 was the aggressive tightening of monetary policy to rein in inflation levels not seen since the 1980s. Short term rates have risen at the fastest clip ever and long-term rates have increased rapidly as well. The implications for HFAs are it has been extremely disruptive to the TBA market.

Mr. Gin stated: In the financials that were presented showing how we are doing this year, it's important to note that November 2022 compared to November 2021 our operating revenues are $20 million less than last year and our operating income is $15 million less than last year. This is not to alarm, but to inform that the mortgage backed securities market has changed incredibly. IHDA's financial condition is extremely strong, we're AA- rated by Fitch. We have $4.2 billion in assets and are very liquid, in fact $2.8 billion is in cash, government securities, and investment grade mortgage securities. IHDA has $1.3 billion in equity

Mr. Caine continued: The next slide illustrates the HFA Single Family strategies employed using Mortgage Revenue Bonds and TBA MBS Secondary Market Sales. The following slides explain the MBS Secondary Market and how HFAs use the MBS Secondary Market to sell MBS guaranteed by Ginnie, Fannie, or Freddie to brokers/dealers. HFAs sell loans packed into MBS to cover their costs of originating the loans. Mr. Gin added the information on the flow of funds and showed the current loan pipeline and average turn time as of November 30, 2022.

Mr. Caine concluded: The next slide describes TBA in more detail and explains the risk associated with MBS. The TBA market allows HFAs to trade MBS on a forward basis. Most brokers/dealers trade TBA, and most mortgages are financed using TBA. HFAs allow borrowers to lock in a mortgage fate for 60+ days, but the sale price of the resulting MBS is subject to market risk, since in the time it takes the loan to close, the sale price could drop such that the HFA is underwater on the loan. For a cost, TBA allows HFA to lock in MBS sale price at the time of loan reservation to hedge against changes in interest rates. A year ago, HFAs could raise mortgage rates to generate sufficient premium to cover the cost of down payment assistance. Currently, HFAs are limited in their ability to generate sufficient premium to cover their costs as investors are not willing to pay high premiums on MBS. While the TBA market is not performing well for HFAs at present, HFAs can continue to operate their single family programs using MRBs and their internal resources. Tax-exempt MRBs currently offer more attractive rates that TBA.

**IV.** Mr. Tornatore adjourned the meeting at 10:42 a.m.