ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING MINUTES
Friday, May 16, 2025

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on Friday, April 18, at 9:00 a.m. at 111 East Wacker Drive, Chicago, IL. Attending the meeting were Acting Finance Committee Chair Ms. Erika Poethig, Mr. King Harris, Ms. Luz Ramirez, Ms. Berg, Mr. Brice Hutchcraft, Ms. Claire Leopold, and Mr. Tom Morsch. Attending from IHDA's Executive team were Ms. Kristin Faust, Mr. Lawrence Grisham, Ms. Karen Davis, Mr. Seth Runkle, Ms. Christina McClernon, and Mr. Keith Evans.

I.A. Ms. Poethig called the meeting to order at 10:00 a.m.

I.B. Ms. Geishecker called the roll. Acting Finance Committee Chair Poethig, Ms. Berg, Chairman Harris, Mr. Hutchcraft, Ms. Leopold, Mr. Morsch, and Ms. Ramirez were present. Finance Committee Chair Mr. Tornatore and Mr. Hayes were absent.

I.C. Ms. Poethig called a motion for the approval of the April 18, 2025, minutes to be approved as presented. Motion carried.

II.A. Presentation of Consolidated Interim Financial Statements

Mr. Jalaluddin stated: We are examining fiscal YTD data covering 10 months of FY25. Operating Revenues FYTD are $54.2M, reflecting a favorable deviation of $9.3M over budget, mainly from origination fees of $2.3M resulting from higher collection of federal 9% tax credit reservation and 4% determination fees, as well as ongoing fees of $3.0M due to higher bond administration and federal tax credit monitoring fees. Higher interest rate environment contributed to strong investment returns and receipts from swap termination caused favorability in interest and other income of $3.3M. The Administrative reimbursements were $25.6M, under budget by ($568k), which I will cover in the upcoming slide.

Mr. Jalaluddin continued: Operating Expenses FYTD are $58.1M, which is $9.8M under budget. Favorability is attributed to Salaries and Benefits of $2.4M due to vacancies or open positions; Professional Fees of $5.9M driven by a combination of favorable spend on Contractual Services & Consultants Fees; these savings were partially offset by higher spending in Other G&A, largely due to temporary staffing for the Illinois General Revenue Fund Program which is also known as Court Based Rental Assistance OR CBRAP. However, this overage is offset on the Governmental Fund side through higher reimbursements.

Mr. Jalaluddin continued: Focusing solely on the Administrative Fund, we observe favorability in both operating revenues and expenses, reflective of the factors previously outlined. This fund analysis provides an isolated view of the Administrative Fund's financial performance, excluding reimbursements. The unfavourability in Salaries & Benefits that we see here is due to underbudget in the administrative fund with a corresponding over budget on the government fund side. These variances net out, resulting in a neutral impact at the consolidated level.

Mr. Jalaluddin continued: Shifting our attention to the Governmental Fund's operating revenues which consist of Administrative Reimbursements for incurred Authority expenses, FYTD reimbursements reached $25.6M, behind budget by ($568k), this is generally timing related. They are some exceptions like RHSP, where we expect continued unfavourability for the fiscal year due to lower program activity. Conversely, the Illinois General Revenue Fund or CBRAP program, which is outperforming, driven by higher program activity. The variance is also impacted by overages in Other G&A—previously discussed, which is matched by increased reimbursements.

Mr. Jalaluddin concluded: Operating Expenses for the Governmental Funds FYTD are $25.7M, favorable to budget by $6.4M. This is primarily due to Salaries and Benefits of $4.8M, driven by the offsetting allocation from the Admin Fund and Professional Fees of $2.6M, due to underspend of budgeted consulting resources. Towards the end you can see the actuals FYTD we are approaching break even as expected, aligning with the cost recovery nature of the gov fund.

II.B. Multifamily Update

Mr. Bannon stated: We have 8 projects on the main agenda for the board's consideration today, 7 of which are awardees from the Permanent Support Housing Round 11. For Round 11, Multifamily recommends funding 7 PSH projects located in Cook (1), DuPage (2), Madison (1), McHenry (1), Morgan (1), and Sangamon (1) Counties. Altogether, these projects will create 129 units of Permanent Supportive Housing. Also, on the main agenda is…Drexel Towers sponsored by Lincoln Avenue Communities. The project is the proposed rehabilitation of 136 non-elderly units located in Chicago.

Mr. Bannon concluded: Our department general updates include the following: Multifamily will present recommendations for the 2025 9% Low Income Housing Tax Credit and Non-Congregate Shelter funding rounds at the June and July meetings of the Board, respectively. Last Friday, IHDA released its Draft Qualified Action Place or "QAP" for public comment. Written comments should be directed to QAPfeedback@ihda.org and will be accepted through June 9th. In addition, a virtual public hearing will be held on May 28th and the final QAP will be issued no later than July 1st.

II.C. Single Family/Homeownership Update

Ms. Pavlik stated: Homeownership reservations for the month of April 2025 totaled just over $139 million in first mortgages, we had a variance decrease of 9% by loan count and 3% by loan volume compared to the same month in 2024.

Ms. Pavlik continued: Breakdown of IHDA DPA offerings were as follows: Access 4%, our forgivable program, accounted for 19% of total volume, Access 5%, our deferred program, made up 44%, Access 10%, our repayable program, accounted for 37%. Chicagoland was the largest of the regions by loan count and volume, followed by Central, Northwest, and Southern. As of 4/30/25, our pipeline is just over $445 million which includes the number of loans reserved, not yet purchased and loans purchased not yet pooled. Average count is 55 days from reservation to purchase by our master servicer.

Ms. Pavlik continued: Regarding GNMA/conventional loan reservation history for the IHDA programs over the last 13 months, the green line on this chart represents our rates compared to the red line which represents the FHA benchmark from the Fed of St. Louis. The conventional loan reservation history for the IHDA programs over the last 13 months, the green line represents IHDA's rates compared to the red line representing the Freddie national 30 day offered rate.

Ms. Pavlik stated: With regard to YTD purchased loans through 4/30/25 compared to the State of Illinois, those who identify as Black or African American households of IHDA's purchased loans was 14.8% compared to the state of IL's total population at 14.6%, while those who identify as Hispanic or Latino of IHDA's purchased loans was 28.3% compared to the State of IL total population at 19.0%.

Ms. Pavlik concluded: This slide shows the year-to-date comparison for years 2021-2025. The blue line/arrow indicates 2025 YTD, compared to the last 4 calendar years.

III.A.1. Resolution Ratifying Establishment of Loan Loss Reserve

Mr. Jalaluddin stated: We are seeking the approval of the Quarterly Resolution Ratifying Establishment of Loan Loss Reserve for March 31, 2025. The loan loss reserve decreased by $807k from $125.8M to $125.0M. The decrease is primarily due to a decrease in Housing Bonds ($830K) and HOME ($886K) as a result of loan pay-off and repayment of a bridge loan upon construction completion. Offset by an increase in IL Affordable Housing Trust ($890K), due to expected write-off, and lower valuation because of vacancy and decrease in NOI.

III.A.2. Resolution Amending the Financial Management Policy

Mr. Babcock stated: Today, I'm presenting proposed updates to IHDA's Financial Management Policy. The Finance Department is recommending amendments to Section C: Interest Rate Risk Management Policy, along with the addition of a new Exhibit D. These updates are designed to strengthen IHDA's interest rate risk oversight and reinforce our commitment to prudent financial management. As part of this process, we conducted a comprehensive review of the FMP in collaboration with our issuer counsel, Mayer Brown, financial advisor, Caine Mitter, and IHDA's Legal team to ensure continued alignment with regulatory standards, compliance requirements, and industry best practices. I'd like to note that many of the practices reflected in these updates have already been in place operationally; the goal now is to formally codify them within our policy framework to hold the department more accountable. It's also important to emphasize that the foundation of our policy is the Illinois Public Funds Investment Act, which establishes the framework for how Illinois public entities may invest public funds. Our policy builds on this foundation by offering additional guidance, internal controls, and procedures for managing investments and executing agreements.

Mr. Babcock continued: An overview of certain substantive changes between the current FMP and the proposed updated version: From a high-level, we streamlined and clarified language for greater clarity and standardized formatting, and benchmarked against peer HFAs to reflect current best practices to ensure our policy is robust. As an example, we clarified the approval process, tightened controls, and more clearly defined roles and timing requirements to strengthen understanding of internal policies. Additionally, we introduced new approval thresholds and analytical requirements through the creation of a new Exhibit D which establishes formal guidelines for managing IHDA's exposure to variable rate debt and interest rate swaps, i.e., thresholds were incorporated to provide clearer guardrails for decision-making, specifically limits on the amount of variable rate debt IHDA can issue and restrictions on the concentration of swap exposure. Caps on how much IHDA can invest with or be exposed to a single financial entity, with those limits varying based on the counterparty's credit rating and whether the exposure is collateralized. An enhanced exceptions policy is established. While the previous Financial Management Policy allowed exceptions with approval, the revised policy now requires that all exceptions be formally documented, include a clear justification, and outline risk mitigation strategies. This analysis and documentation must be submitted to the Executive Director for review and approved by the CFO.

Mr. Babcock concluded: The Finance Department will conduct targeted training sessions with relevant staff to ensure alignment with the revised policy framework and support implementation. In addition, procedures will be established to support ongoing compliance with the updated guidelines.

III.B.1. Multifamily Housing Revenue Note, Series 2025AB (Drexel Towers)

Mr. Ess stated: IHDA will issue Multifamily Housing Revenue Note Series 2025 A and 2025 B (Drexel Towers) to finance the acquisition and rehabilitation of a 136-unit non-elderly development located at 4825 and 4917 South Drexel Boulevard in the Kenwood Neighborhood of Chicago. The Notes will be privately placed with Citibank, N.A., or an affiliate thereof. This is conduit financing, the Series 2025A Note will be tax-exempt, fixed rate, and long term while the Series 2025B Note will be tax-exempt, variable rate, and short term. These are limited obligation – no IHDA G.O.

Mr. Ess continued: Today's request is to authorize the issuance of Multifamily Housing Revenue Note Series 2025 A (Drexel Towers) in an amount not to exceed $36,000,000, with a final maturity no later than July 31, 2059, and an interest rate not to exceed 9% per annum. Also to authorize the issuance of Multifamily Housing Revenue Note Series 2025 B (Drexel Towers) in an amount not to exceed $17,000,000, with a final maturity no later than January 1, 2028, and an interest rate not to exceed 9% per annum. The Aggregate amount for MHRN Series 2025 A and Series 2025 B not to exceed $48,300,000. The estimated closing date is May 15th. A list of transaction participants was shared.

III.C.1. Resolution Adopting the Operating and Capital Budget for Fiscal Year '26

Mr. Runkle stated: Before addressing the budget presentation itself, a few economic and related notes to provide context for the budget, and our planning approach and priorities for the upcoming year. In terms of the macro environment, we are certainly in a period of historically high levels of volatility – economic volatility, market volatility and policy volatility. There are risks to funding of different programs that have historically felt "protected" – as well as potential policy changes that could make it more difficult to see around every corner, perhaps more so than in years past. With this, we put forth a budget for your consideration that we feel maximizes our ability to remain flexible in these uncertain times. In terms of Economic drivers

Unemployment has continued to remain low from a historical perspective at 4.2%. It has also remained generally range-bound within 4 - 4.25% over the last year. Inflation, which has come down, with the most current read for April coming in at 2.3%, housing and shelter remains stubbornly high at almost twice the overall CPI rate. Market interest rates have certainly not been predictable. Short-term, or "federal funds" rates remain elevated at 4.5% currently. While down approximately 100 points from a year ago, rates have not adjusted downward as rapidly as most previously expected. The 10-year treasury rate, a bellwether indicator for mortgage lending, has not significantly changed from a year ago, though certainly has fluctuated over the last four quarters. Keeping these points in mind as we look ahead, while the market may anticipate the Federal Reserve to cut rates by approximately 1-1.5% over the next 12 months, that story can change, as we certainly have seen over the last year. Turning to IHDA's performance, in FY2025 we recognized continued, strong performance in both single family and multifamily volumes, which we will see in our forecasted earnings for the current year in a moment. So, as we look toward FY26, we have a strong foundation to build upon, even in these uncertain times. In FY25 we also made significant investments in Technology, including implementing a new financial ERP system. FY26 and onward will continue to reflect a focus on technology, though with capital investment levels retreating from the previous year.

Mr. Runkle continued: Here you will see an overview of the FY26 budget with a comparison versus the current year. We will go into more detail in the subsequent pages. Overall, the proposed budget is projected to yield $8.5 Million in operating income, which is driven by $58.3 Million in operating revenue, $31.0M in government reimbursements, and $80.5 Million in expenses. Compared to the FY25 budget, this reflects a 5% increase in operating revenue + reimbursements, along with a 1% decrease in our operating expense base. Putting those factors together, this drives a projected 125% increase in overall operating income.

Mr. Runkle continued: IHDA's operating revenue, which is a total of $58.3 Million for the proposed FY 26 budget, is made up of four primary categories, Ongoing Fees, Origination Fees, Insurance Fees, and Interest and Other Income. Ongoing fees, which are mainly bond administration and tax credit monitoring fees, Origination fees, which primarily relate to 9% and 4% tax credit reservation fees and MF development fees, Insurance fees, primarily risk sharing insurance fees for multifamily, and Interest, and Other Income, more than half our income, is principally interest and earnings on loans and investments, and income associated with SF mortgage originations. Total Revenue is budgeted at $89.3 Million. The difference on this slide from the preceding is this now includes government reimbursements. So, in addition to operating revenue of $58.3 Million, here you are seeing an additional $31.0M in government reimbursements. The FY26 Operating Budget includes Government Reimbursements of $31.0M from our government programs, with the Illinois Affordable Housing Trust Fund being the largest in terms of share at 35%. The amount of government reimbursement budgeted for FY26 is down modestly from the previous fiscal year, primarily attributable to the runoff of COVID emergency assistance funds.

Mr. Runkle stated: The proposed FY26 budget includes projected Operating Expenses of $80.9 Million, which is 1% lower versus FY25. You will see the categories listed here, of which I will reference both the "professional fee" and "technology management" categories, being a net decrease, primarily attributable to non-recurring technology projects. Also of note, is "Other general and administrative" which is up year over year, primarily related to the use of temp services for the court based rental assistance program, or "CBRAP", to which those costs are reimbursable and reflected in government reimbursements. This next slide will give you a view of FY26 operating expense by type, which I will call out Salaries & Benefits being 64% of the overall budget.

Mr. Runkle concluded: This slide reflects IHDA's budgeted and actual operating revenues, not including governmental reimbursements, for FY20 through FY26. A few points here: The blue bars reflect our actual revenue with the red bars being our budget. We have historically, and are currently, remaining generally conservative in our approach to forecasting. I'll mention again we are placing a premium on having the ability to remain flexible in the event of macro factors impacting performance. The other point are the lines you see here, reflecting operating margins. The green represents actuals and the purple, budget. You want green to exceed purple, which has been the case. In conclusion, we anticipate continued, solid volume in FY2026 with workloads across IHDA remaining at a high level, including bond issuance and lending activity remaining high.

V. Ms. Poethig adjourned the meeting at 10:43 a.m.