The meeting of the Finance Committee of the Illinois Housing Development Authority took place virtually via Zoom on Friday, October 16, 2020 at 10:00 a.m. Attending the meeting were Finance Committee Chair Mr. Darrell R. Hubbard, Mr. King Harris, Ms. Luz Ramirez, Mr. Sam Tornatore, Ms. Aarti Kotak, Mr. Thomas Morsch, Ms. Sonia Berg, and Ms. Rita Ali.

Mr. Hubbard called the meeting to order at 10:01 a.m.

Mr. Hubbard motioned to approve the September 18, 2020 Finance Committee Meeting minutes as presented.

**ONGOING ACTIVITIES**

*Discussion: Monthly Interim Financial Statements.*

Mr. Hicks stated: Year to date Actual vs. Budget is as follows: Total Administrative Fund operating revenues are approximately $20.9 million, $9.5 million above budget, mainly from higher investment income ($6.9 million) the result of investment gains experienced in the TBA market, higher ongoing fees ($1.5 million) due to higher bond administration fees and federal tax credit monitoring, higher origination fees ($1.1 million) due to collection of federal 9% tax credit reservation fees. Governmental Funds’ reimbursements, which are submitted for payment on a quarterly basis, are estimated at $8.5 million. Most of the variance of $5.0 million is related to the new CUREF (Cares Act) Program not reflected in the budget for fiscal year ending June 2021.

Mr. Hicks continued: Governmental Funds’ operating expenses are approximately $8.5 million, $4.8 million over budget. The variance is mainly due to the new CUREF (Cares Act) Program, at $4.7 million, which is not budgeted. Key drivers pertaining to the CUREF (Cares Act) are higher salaries and benefits ($2.2 million), professional fees ($2.0 million) and others ($0.4 million). Other government programs attributed $0.1 million of the variance and were relatively flat to budget. Most government programs are estimated to be fully reimbursed for the first three months of this fiscal year’s expenses. Total Administrative Fund operating expenses are approximately $12.1 million, $1.2 million under budget. The variance is mainly due to the new CUREF (Cares Act) Program, at $4.7 million, which was not budgeted. Key drivers pertaining to the CUREF (Cares Act) Program are higher salaries and benefits ($2.2 million), professional fees ($2.0 million) and others ($0.4 million). IHDA admin is $5.9 million under budget. Key drivers are lower salaries and benefits ($3.5 million), professional fees ($1.1 million), financing costs ($0.8 million), office administration ($0.2 million), training and public relations ($0.1 million), site visit and travel ($0.1 million) and others ($0.1 million).

Mr. Hicks continued: For FY2021 vs. FY2020, total Administrative Fund operating revenues through September 30, 2020 are approximately $20.9 million, $3.8 million higher than last year, mainly due to higher investment income ($0.8 million) resulting from changes in market conditions, higher ongoing fees ($1.7 million) due to the timing and collection of tax credit monitoring and bond administration fees, higher origination fees ($1.2 million) due to collection of federal 9% tax credit
reservations. Governmental Funds’ reimbursements, which are submitted for payment on a quarterly basis, are estimated at $8.5 million, $5.0 million over last year mainly due to new funding for the new CUREF (Cares Act) Program.

Mr. Hicks concluded: Governmental Funds’ operating expenses are approximately $8.5 million, $5.3 million over last year. The variance is mainly due to the new CUREF (Cares Act) Program, at $4.7 million, which was not budgeted. Key drivers pertaining to the CUREF (Cares Act) are higher salaries and benefits ($2.2 million), professional fees ($2.0 million) and others ($0.4 million). Other government programs attributed $0.6 million of the variance. Key drivers are higher professional fees ($0.1 million), office administration ($0.3 million) and technology management ($0.1 million). Total Administrative Fund operating expenses are approximately $12.2 million, $1.3 million unfavorable to last year. The variance is mainly due to the new CUREF (Cares Act) Program, at $4.7 million, which was not budgeted. Key drivers pertaining to the CUREF (Cares Act) are higher salaries and benefits ($2.2 million), professional fees ($2.0 million) and others ($0.4 million). IHDA admin is $3.4 million under budget. Key drivers are lower salaries and benefits ($2.8 million), professional fees ($0.3 million), office administration ($0.2 million) and training and public relations ($0.1 million).

Discussion: Multifamily Update.

Ms. Moran stated: Multifamily has 32 transactions targeting for year-end closing, 20 of which we are targeting to close before Thanksgiving. Earlier this month we received 68 preliminary project requests which are the pre-applications for the 9% loan tax credit round. Multifamily and SPAR will be evaluating them. All approved PPA’s are eligible to apply to IHDA for the 2021 9% tax credit round in January 2021. Our permanent supportive housing applications are due October 30th, and we have 17 applications that are pre-approved. We have set aside about $40 million in resources to fund this application round.

Discussion: Homeownership Mortgage Program Update.

Ms. Pavlik stated: Reservations for September 2020 were at 832 first mortgage loans or $133.96 million, 503 or $82.12 million for GNMA and 329 or $51.84 million for Conventional. Prior year reservation comparisons for the month of September were at $83.20 million, $48.42 million for GNMA and $34.78 million for Conventional.

Ms. Pavlik continued: For September 2020, IHDA Mortgage Statistics consisted of 662 Access Mortgage Loans accounting for 80% or $105.50 million. There were 170 1st Home Illinois Mortgage Loans accounting for 20% or $28.46 million for a program totals of 832 Loans, $133.96 million. Within the Access Mortgage Program usage is as follows: 4% Forgivable accounted for 64%, 5% Deferred accounted for 22%, and 10% Repayable accounted for 14%. Geographical percentages were 13% for the Central region, 66% for Chicago, 15% for the Northwest, and 6% for the Southern regions respectively.

Ms. Pavlik continued: There are 3,008 loans in the pipeline at a total of $475.07 million. Timing from reservation to approved for purchase is 49 days average, 57 days average from reservation to purchase.

Ms. Pavlik concluded: IHDA Demographic Analysis compared to State of IL year-to-date race comparisons were as follows: American Indian/Alaskan Native – 0.4% to 0.6%, Asian/Pacific Islander –
1.3% to 5.9%, Black – 18.2% to 14.6%, Hawaiian/Other Pacific Islander – 0.1% to 0.1%, White – 67.3% to 76.8%, Two or More Races – 0.2% to 2.0%, Information not Provided/Unknown – 12.3% to N/A. Ethnicity comparison for Hispanic or Latino is 21.6% for IHDA compared to 17.5% for State of Illinois.

NEW BUSINESS

Discussion: Homeownership Program Update.

Ms. Pavlik stated: We are showing new programs going to Board this month. In August we asked for $35 million for a down payment assistance program. We’ve chosen a name for this: Opening Doors, Your Key to Affordable Homeownership. This program will provide $6,000 of down payment assistance.

Ms. Pavlik continued: Our second new program is Smart Buy. This program will be providing up to 15% of the purchase price using capital bill for borrowers to be able to purchase a home as well as pay off student loan debt. This will be forgiven over a three-year period and should the property be sold before then, IHDA will be able to offer the property to another affordable household. This program will also provide $5,000 in down payment assistance as a deferred loan so that if the borrower sells or refinances the property, the $5,000 comes back to IHDA. The borrowers must pay off at least one of the borrower’s student loan debt in full.

Resolution Amending Designations of a Portion of Administrative Fund Net Assets for Various Programs and Expenditures.

Mr. Hicks stated: Annually in the audited financials, the Authority designates a portion of the net assets in the administrative fund for programs and initiatives in the Authority, which are in support of current and future business initiatives. This resolution amending the designations of the Administrative Fund Net Assets along with the itemized Schedule A will be presented to the Board today.

Resolution Authorizing the Additional Allocation of Access 5% Down Payment Assistance.

Mr. Nestlehut stated: Pursuant to Resolution No. 2017-IHDA-413, the Authority had established the Access 5% down payment assistance program for use in conjunction with first mortgages funded through one of the Authority’s first mortgage lending programs. The referenced resolution provided for an initial funding amount of $10,000,000 which was funded by the Housing Bond Indenture’s Authority Reserve 2003B account. The Finance and Homeownership departments discuss the need for program continuation and monitor the remaining unallocated program funds. Over the course of the last few months the Authority has experienced a large increase in Access 5% loan reservations, which has resulted in a quicker than expected depletion of the original fund allocation.

Mr. Nestlehut concluded: Given the importance of the down payment assistance programs on the financial capacity of the Authority, I am recommending an additional allocation of $3,000,000 from the same source, the Housing Bond Indenture’s Authority Reserve 2003B account. The recommended additional allocation amount is estimated to last until Q1 2021 at the increased levels of demand. Additionally, we would like to request that all Access 5% DPA investment and program income be reallocated back into the program. As of August 31, 2020, we have received approximately $325,000 in investment and program income under the program.
Resolution Ratifying Permitted Financial Activities.

Mr. Nestlehut stated: This is a recap of the financial activities we’ve had during the quarter ending September 30, 2020. Our book value was $1.477.6 billion. Purchases were $829.0 million, sales were $233.4 million, and maturities were $424.1 million. Return on investments for this quarter were above the weighted average Treasury curve. Payouts and draws for the quarter were at $16.4 million and bond debt service was $57.0 million over the course of the quarter. We had two interest rate caps, two swaps, and $537.6 million in hedges outstanding.

Resolution Authorizing the Issuance of Multifamily Housing Mortgage Revenue Note, Series 2020 (Martin Farrell House).

Mr. Ess stated: This request is for the rehabilitation of 59 elderly 55+ units at 1415 East 65th Street, Chicago, IL, in the Woodlawn Neighborhood IHDA will issue Multifamily Housing Mortgage Revenue Note Series 2020 (Martin Farrell House) to finance the acquisition and rehabilitation of Martin Farrell House. The note will be placed directly with Fifth Third Bank during construction. Citi Community Capital will purchase the Note from Fifth Third Bank at conversion and step in as the permanent lender. This is conduit financing – the Series 2020 Note will be tax-exempt, privately placed and long term. The interest rate on the Note will be variable rate during construction and will convert to fixed rate after stabilization. This series is limited obligation - no credit risk to the Authority (No IHDA G.O.)

Mr. Ess concluded: The resolution request is for the Issuance of MHMRN Series 2020 (Martin Farrell House) in an amount not to exceed $8,800,000 The final maturity is no later than December 1, 2054 with an interest rate not to exceed (i) 6% or (ii) the maximum rate permitted under IL law. The projected schedule of events and list of transaction participants was also shared.

Mr. Hubbard adjourned the meeting at 10:40 a.m.