The meeting of the Finance Committee of the Illinois Housing Development Authority took place virtually via Zoom on Friday, December 18, 2020 at 10:00 a.m. Attending the meeting were Finance Committee Chair Mr. Darrell R. Hubbard, Mr. King Harris, Ms. Luz Ramirez, Ms. Aarti Kotak, Mr. Thomas Morsch, Ms. Rita Ali, and Ms. Sonia Berg.

Mr. Hubbard called the meeting to order at 10:00 a.m.

Mr. Hubbard motioned to approve the November 20, 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 $28.2 million, $9.3 million above budget, mainly from higher investment income ($7.6 million) the result of investment gains experienced in the TBA market and higher ongoing fees ($1.6 million) due to higher bond administration fees and federal tax credit monitoring. Governmental Funds’ reimbursements, which are submitted for payment on a quarterly basis, are estimated at $11.9 million. Most of the variance of ($5.8 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 $11.8 million, ($5.7 million) over budget. The variance is mainly due to the new CUREF (Cares Act) Program, at $6.3 million, which is not budgeted. Key drivers pertaining to the CUREF (Cares Act) are higher salaries and benefits ($2.3 million), professional fees ($3.0 million) and others ($0.9 million). Other government programs were $0.6 million favorable variance. Most government programs are estimated to be fully reimbursed for the first five months of this fiscal year’s expenses. Total Administrative Fund operating expenses are approximately $21.7 million, $0.5 million favorable. The variance is mainly due to salaries and benefits having a favorable variance of $3.8 million that was offset by the CUREF unfavorable variance of $2.3 million, professional fees having a favorable variance of $1.5 million being offset by unfavorable CUREF variance of $3.0 million, and a favorable variance of $0.2 million in other being offset by $0.9 million in unfavorable CUREF variance.

Mr. Hicks continued: For FY2021 vs. FY2020, total Administrative Fund operating revenues through November 30, 2020 are approximately $28.2 million, ($4.1 million) higher than last year, mainly due to higher investment income ($2.6 million) resulting from changes in market conditions and higher ongoing fees ($2.3 million) due to the timing and collection of tax credit monitoring and bond administration fees offset by origination fees ($0.9 million) due to the timing of the collection of federal 9% tax credit reservations. Governmental Funds’ reimbursements, which are submitted for payment on a quarterly basis, are estimated at $11.9 million, $5.4 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 $11.8 million, ($5.5 million) over last year. The variance is mainly due to the new CUREF (Cares Act) Program, at ($6.3 million), which was not budgeted. Key drivers pertaining to the CUREF (Cares Act) are higher salaries and benefits ($2.3 million), professional fees ($3.0 million) and others ($0.9 million). Most government programs are estimated to be fully reimbursed for the first five months of this fiscal year’s expenses. Total Administrative Fund operating expenses are approximately $21.7 million, ($2.7 million) unfavorable to last year. The variance is mainly unbudgeted professional fees for CUREF of $3.0 million and Other CUREF expenditures not budgeted of $0.9 million, with small favorable variances in other expense categories due to the economical response of Covid-19.

Discussion: Multifamily Update.

Ms. Moran stated: Multifamily highlights for 2020 included the review of over 80 applications for competitive tax credits, 22 awards of tax credits were approved creating or improving over 1200 units of housing. Next month we will be seeking approval on 6 permanent supportive housing transactions which will create over 147 units. In 2020 we’ve closed 61 transactions, 55 of them have closed remotely. We’ve processed over 250 draws and have 51 developments under construction. HUD approved IHDA to do subsidy layering reviews.

Discussion: Homeownership Mortgage Program Update.

Ms. Pavlik stated: Reservations for November 2020 were at 583 first mortgage loans or $91.38 million, 371 or $58.77 million for GNMA and 212 or $32.61 million for Conventional. Prior year reservation comparisons for the month of November were at $73.75 million, $44.50 million for GNMA and $29.25 million for Conventional.

Ms. Pavlik continued: For November 2020, IHDA Mortgage Statistics consisted of 583 Access Mortgage Loans accounting for 100% or $91.38 million. There were zero 1st Home Illinois Mortgage Loans. Within the Access Mortgage Program usage is as follows: 4% Forgivable accounted for 66% or $57.79 million, 5% Deferred accounted for 18% or $18.02 million, and 10% Repayable accounted for 16% or 15.57 million. Geographical percentages were 14% for the Central region, 64% for Chicago, 15% for the Northwest, and 7% for the Southern regions respectively. There are 2,709 loans in the pipeline at a total of $427.97 million. Timing from reservation to approved for purchase is 51 days average, 59 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 – 1.4% to 5.9%, Black – 18.8% to 14.6%, Hawaiian/Other Pacific Islander – 0.1% to 0.1%, White – 66.5% to 76.8%, Two or More Races – 0.4% to 2.0%, Information not Provided/Unknown – 12.5% to N/A. Ethnicity comparison for Hispanic or Latino is 22.8% for IHDA compared to 17.5% for State of Illinois.

NEW BUSINESS

Resolution Authorizing Execution of Agreement and Expenditure of Funds in Connection with Mortgage Impairment Insurance.
Ms. Grimm stated: The Authority wishes to enter into a new three-year agreement (“New Policy”) for Mortgage Impairment Insurance (“Mortgage Impairment Insurance”). The current Mortgage Impairment Insurance policy will expire on December 29, 2020 (“Current Policy”). Our insurance broker on record, Alliant/Mesirow Insurance Services Inc. (“Broker”), assisted with the search process. Mortgage Impairment Insurance protects the Authority’s mortgage interest in the event of the following: 1) There is either no insurance or inadequate insurance on properties financed by the Authority or that the Authority holds title through foreclosure to protect against direct physical loss or damage from certain perils; or 2) Liability is imposed on the Authority as mortgagee, mortgage fiduciary or mortgage servicing agent arising from claims resulting due to the Authority’s negligent acts, errors and/or omissions in procuring and maintaining valid insurance against direct physical loss or damage from certain perils, extended coverage or homeowners insurance on the mortgaged property for the Authority’s mortgagors.

Ms. Grimm concluded: The Current Policy was purchased on December 30, 2017, for a premium of $51,850 for the three-year term with a policy limit of $10,000,000 and a $5,000 deductible, each per claim or loss. The New Policy includes the same policy limit and deductible. The renewal premium for the new coverage period is $21,054, a 60% reduction over the prior premium which is the result of reduced loan foreclosures and a reduction in the SF Whole Loan portfolio. The coverage will be provided by Lloyds.

**Resolution Authorizing Services Agreement for BondLink Investor Relations Website.**

Mr. Nestlehut stated: The use of technology allows governments to efficiently communicate with municipal market participants and more effectively ensure compliance with disclosure requirements. The Finance Department of the Illinois Housing Development Authority (“IHDA”) has identified a continued need to maintain an investor relations website that is tailored to IHDA’s bond programs to help drive demand for its bond issuances (“Services”).

Mr. Nestlehut concluded: BondLink, Inc. has developed a platform that enables municipal issuers to build customized websites intended to showcase the issuer’s bond programs, its upcoming bond sales, its past bond issuances, and financial and operating data relevant to the issuer’s credit profile. IHDA believes that by continuing to leverage BondLink’s technology, it can increase investor participation in its bond issues, ultimately decreasing borrowing costs. By maintaining the currently built investor relations website (“IHDA BondLink Site”), IHDA will continue to centralize the information that is specifically intended for bond investors. We have been able to identify increased volume of investors who are viewing IHDA’s transactions, albeit difficult to identify an exact correlation to reduction in borrowing costs. IHDA is continuing to work with BondLink to develop additional strategies to drive business to our offerings.

**Resolution Amending Financial Management Policy.**

Mr. Nestlehut stated: Pursuant to Resolution No. 2005-IHDA-058, where the Authority has established a financial management policy; such policy sets forth list of authorized Counterparties (Exhibit B) and authorized Selling Group members (Exhibit C). The Authority desires to update such lists. These additions coincide with purchase contracts of upcoming transactions or inclusion of certain firms in the Authority’s issuance(s). All firms have been vetted to meet the capacity of the outlined roles.

**Resolution Authorizing the Acceptance of Ceded Volume Cap.**
Mr. Nestlehut stated: Pursuant to the Illinois Private Activity Bond Allocation Act, 30 ILCS 345/1 et seq. (the “Bond Act”); and the Guidelines and Procedures of the Office of the Governor for the State of Illinois (the “State Guidelines”) authorities who received home rule units volume cap may reallocate to state agencies all or any unused allocation of such volume cap.

Mr. Nestlehut concluded: The Authority has been working together with the City of Chicago and has received the necessary approvals to reallocate unused volume cap for the calendar year 2020 to the Authority. The total reallocation amount is approximately $170,000,000.00. The Authority will use the volume cap to finance either Single family or Multifamily Revenue Bonds.


Mr. Nestlehut stated: This request is for rehabilitation of 418 multi-generational units in the Near West Side Neighborhood at 1111 South Ashland Avenue, Chicago, IL. IHDA will issue Multifamily Revenue Bonds (Circle Park) to finance the acquisition and rehabilitation of Circle Park Apartments. The Bonds will be placed directly with AFL-CIO. The 2021 Series B Bonds will be tax-exempt, privately placed and long term. IHDA takes 50% risk on the underlying loan via FHA risk share insurance.

Mr. Nestlehut concluded: Issuance of Multifamily Revenue Bonds, 2021 Series B (Non-AMT) in an amount not to exceed $110,000,000 with a final maturity no later than December 1, 2046 (subject to closing date). Interest rate for the fixed rate bonds not to exceed (i) 7% or (ii) the maximum rate permitted under IL law. Interest rate for the variable rate bonds not to exceed (i) 12% or (ii) the maximum rate permitted under IL law. The projected schedule of events and list of transaction participants was also shared.

Resolution Authorizing the Issuance of Multifamily Housing Revenue Note, Series 2021 (Jones and Matthews).

Mr. Ess stated: This request is for the rehabilitation of 120 elderly 62+ units at 19 East 110th Place, Chicago, IL in the Roseland neighborhood, and at 5040 South Indiana Avenue, Chicago, IL in the Grand Boulevard neighborhood. IHDA will issue Multifamily Housing Revenue Note, Series 2021 (Jones and Matthews) to finance the acquisition and rehabilitation of the project. The Notes will be privately placed with CIBC. This is Conduit financing – the Series 2021 Notes will be tax-exempt, variable rate, short-term and privately placed. These are limited obligation - No IHDA G.O. The permanent financing will be a Credit Advantage 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 2021 (Jones and Matthews) in an amount not to exceed $11,000,000 with a final maturity no later than December 1, 2025. The interest rate not to exceed the lesser of (i) 12% 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.