MINUTES OF THE MEETING OF
THE NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
AUDIT COMMITTEE

November 30th, 2021

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held virtually on WebEx on Tuesday, November 30th, 2021.

The meeting was called to order at 1:36 p.m. by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the October 5th, 2021 meeting. The minutes were approved.

Mr. Gould turned to Ms. Cathleen Baumann, Executive Vice President and Treasurer, to provide an overview of the agenda. Ms. Baumann briefly provided an overview of the agenda.

Ms. Baumann then turned to Mr. Eric Enderlin, President, to provide an update on the Corporation's return to office and other business. Mr. Enderlin noted that the return to office is very successful thus far and the staff is adjusting well. Mr. Enderlin further noted that the Corporation is very proud to have a 100% COVID-19 vaccination rate for its employees. Mr. Enderlin stated that the Corporation's portfolio has been performing well with 6 projects requesting forbearance and that there were 49 projects which gained access to reserves, but the portfolio is doing well overall. Mr. Enderlin continued his report noting that the Corporation is on a deadline for office space with the lease for the current space expiring next year. The Corporation is still deciding to either renew the lease or sign on a new space, and some of the budget planning is included in the budget presentation today. Mr. Enderlin thanked the Members for their work and support during the restructuring and staffing plan last month, and the adjustments after the passing of Mr. Richard Froehlich, First EVP & Chief Operating Officer of the Corporation.

Mr. Gould then turned to Ms. Ellen Duffy, Executive Vice President of Debt Issuance and Finance, to present the Corporation's Debt Report as of October 31, 2021. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of August 31, 2021. During this time, the Corporation issued four series of Open Resolution bonds in the amount of $503.6 million. There were bond redemptions in one series of Open Resolution bonds in the amount of $85.95 million, and three stand- alone bond series in the amount of $21.2 million. The Corporation's debt outstanding as of October 31, 2021 is approximately $14.5 billion. The Corporation's statutory debt capacity is now $17 billion. The bill to increase the Corporation's debt limit from $15.5 billion to $17 billion was signed by the Governor on November 8, 2021.

Mr. Gould then turned again to Ms. Duffy to present the Corporation's revised Bond Reserve Policy. Ms. Duffy noted that the original policy and memo are included in the Member materials. On April 2, 2013, senior management requested that a policy correlating with the size of certain corporate obligations be formally approved by the Members. This policy was originally called the Rating Agency Reserve but has been renamed the Bond Reserve because this reserve is not directly requested by the rating agencies; however, the Reserve is a very important positive aspect of the rating analysis. In addition to changing the name of this reserve, senior management is changing the percentage funded due to the Open Resolution's continued performance, growth, and strength. Considering what the Corporation has set aside in its Bond Reserve over the years relative to the bonds outstanding in the Open Resolution, the average reserve balance over the last six years was 2.23% of the long-term bonds outstanding. In 2013, when this policy was first approved, we assumed a 5% annual growth rate. However, over the past six years the Corporation's growth in long term bonds outstanding has been 14.8%. Ms. Duffy further noted that based on the strong performance of the Corporation's diversified and seasoned mortgage portfolio, and the rating agencies assessment that the Open Resolution has very strong coverage, liquidity, and overcollateralization, senior management recommends lowering the required Bond Reserve balance to between 1.50% to 2.00% of the long-term bonds outstanding in the Open Resolution. After debt service on the Open Resolution was paid on November 1, 2021 and certain redemptions made, the amount of long-term bonds outstanding in the Open Resolution is approximately $8.0 billion. Due to the higher amount of bonds outstanding, the strong, diversified cash flow in the Open Resolution, and the $49 million of guaranty and working capital reserves currently cash funded, HDC staff recommends that the Reserve should be increased from $140 million to $150 million at this time which is equal to 1.87% of the long-term bonds outstanding. Staff recommends that the Members approve the attached Revised Bond Reserve Policy. The Members approved the policy.

Ms. Duffy continued with the Corporation's Investment Report. Ms. Duffy noted that the Corporation's Investment Report is as of November 8, 2021. Ms. Duffy reported that funds under management totaled approximately $5.4 billion. This report reflects routine investment activity.

Mr. Gould then recognized Ms. Mary Hom, Chief Risk Officer, for the counterparty credit risk exposure report. Ms. Hom noted that the unaudited report detailing the Corporation's counterparty exposure is as of October 31, 2021. The previous report to the Audit Committee was dated August 31, 2021. There were no rating agency actions of note, and there were no new approved counterparties. HDC's counterparty exposure remains diversified with the largest exposures continuing to be with FNMA and FHLMC. Investments rated double-A or higher were 51% of total investments, versus 52% at the last report. Investments rated triple-B or not rated were 27% of total investments, unchanged versus the last report, and are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. Finally, Ms. Hom reported that HDC exposure to liquidity providers was $305.0 million, down from $390.98 million at the last report. Since the last report, the 2017 Series G-3 bonds under the $85.95 million Wells Fargo facility were retired.

Mr. Gould then called on Ms. Hom to present the Internal Audit report. Ms. Hom reported that since the last report to the Audit Committee on October 5, 2021, one internal audit was completed – an agile audit of Underwriting Standards. Here the objectives were to: (1) determine if credit memos were properly approved and signed; (2) determine if the underwriting of loans was done in accordance with the applicable term sheet and reflected in the credit memo; and (3) review accuracy of amounts, terms, and critical information recorded in underwriting and supporting documentation. Ms. Hom reported that there were no material misstatements or inaccuracies in the data reviewed. Critical underwriting documents were completed, credit memos were properly approved, and key aspects of program term sheets were followed. Opportunities exist to further enhance controls for underwriting loans and maintaining loan records, and management is addressing these enhancements in the implementation of a new software to manage development pipeline and process.

Mr. Gould then called on Ms. Hom for the presentation of a proposed Internal Audit plan for 2022. Ms. Hom noted that after careful performance of the annual risk assessment process, which included individual discussions with Members of the Audit Committee, as well as team discussions with the various departments across the Corporation, Internal Audit has developed a plan that seeks to assess various areas of risk for review during the year. This proposed plan includes a combination of assurance audits, agile audits, continuous monitoring, and special projects. The proposed Internal Audit plan for 2022 includes: seven assurance audits; two advisory engagements; four agile audits; two special projects; and continuous monitoring of the HDC investment portfolio, employee expenses, President's Office expenses, and petty cash. Ms. Hom concluded by thanking the Members as well as the leadership and staff of the Corporation for their input in the creation of this plan. Hearing no questions, Ms. Hom requested approval of the 2022 Internal Audit Plan, and the Plan was approved.

Mr. Gould then turned the Committee's attention to Ms. Cathleen Baumann, Executive Vice President and Treasurer, to request approval of the Procurement Guidelines of the Corporation. Ms. Baumann reported that pursuant to the Public Authorities Accountability Act of 2005, HDC is required to have its Members annually review and approve the Procurement Guidelines of the Corporation. After approval, the Guidelines are submitted to the Office of the State Comptroller, through its Public Authorities Reporting Information System ("PARIS"). The Guidelines are also published on the Corporation's website. Updates to the Guidelines are related to changes of titles due to the reorganization and expansion of the HDC executive staff in October 2021. There are no other changes to the Guidelines. The Members were asked to approve the Corporation's updated Procurement Guidelines and the Members approved the Guidelines.

Mr. Gould then turned to Ms. Erin Montgomery from Ernst & Young for a brief update on the Corporation's annual audit. Ms. Montgomery noted that Ernst & Young has kicked off the audit for fiscal year 2021. The E&Y team is expecting to have a draft financial statement soon, and Ms. Montgomery noted that the timing of the audit is consistent with last year and might be a bit ahead of schedule.

At 1:53 p.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

VRoberty

Violine Roberty

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November 30th, 2021

ATTENDANCE LIST (VIRTUAL MEETING)

NAME	AFFILIATION
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Kyle Kimball	Audit Committee Member
Erin Montgomery	Ernst & Young
Eric Enderlin	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Alex Medina	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Patrick Ogoke	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.