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

March 31st, 2023

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 Friday, March 31, 2023.

The meeting was called to order at 9:36 a.m. by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the January 13, 2023 meeting. The minutes were approved.

Mr. Gould then turned to Ms. Cathy Baumann, Executive Vice President and Chief Financial Officer, to provide an overview of the agenda. Ms. Baumann then briefly provided an overview of the agenda.

Mr. Gould then turned to Ms. Mary John, Senior Vice President and Controller, to present the Corporation's First Quarter Financial Report for Fiscal Year ("FY") 2023 which covers the period November 1, 2022 through January 31, 2023. Ms. John summarized that, as of the end of the first quarter, revenues exceeded expenses by $169.1 million, compared with the same period in FY 2022 when net income was $49.5 million. The increase of $119.6 million was largely due to the improvement of the fair market value of the Corporation's investment securities. The investment portfolio's fair market value improved by $70.8 million from Fiscal Year End ("FYE") 2022 and was recorded as an unrealized gain. Ms. John added that excluding the fair market value adjustment net income would have been $98.3 million.

Recent events surrounding the collapse of two regional banks have put the spotlight on businesses' investment portfolios. The Corporation's investments are mostly comprised of United States government and agency securities and bank money market deposits; all bank deposits are fully collateralized with Federal Home Loan Bank ("FHLB") letters of credit or U.S. government securities held by a third party and deemed safe.

Ms. John continued by reporting that operating revenues for this period was $184.1 million, compared to $176.4 million during the same period last year. Mortgage interest earnings increased by $16.4 million or 12% from a year ago; however, mortgage related fee income decreased by $11.1 million as there were fewer loan closings this period. Non-operating revenues, which mainly consists of investment earnings, saw a significant increase largely due to the increase in the fair market value; however, realized investment earnings increased by $10.3 million from a year ago. Operating expenses increased by $14.4 million primarily due to the increase in bond interest expenses.

Total assets finished the first quarter at $22.2 billion, an increase of $629.1 million or 2.9% from FYE 2022. This increase was mainly attributed to the Corporation's on-going lending activities, as mortgage loan advances were at $655.2 million in the first quarter. The mortgage portfolio, net of conduit loans, was $17.9 billion and comprises 80.5% of total assets, and is currently performing well. The delinquency rate as of January 31, 2023, was below 2% of monthly billings.

Ms. John concluded by reporting that total liabilities were $18.3 billion, a net increase of $460.0 million or 2.6% from FYE 2022. Bonds and debt obligations increased by a net of $398.7 million. New issuances were at $696.8 million, while principal repayments totaled $296.4 million. The net position at the end of the first quarter was $3.8 billion, up by $169.1 million from FYE 2022.

Mr. Gould then called on Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to present the Corporation's Debt Report. Between November 30, 2022 and February 28, 2023, the Corporation issued six (6) series of bonds in the amount of $696.8 million. There were bond redemptions in six (6) series of Open Resolution bonds in the amount of $38.3 million. The Corporation's debt outstanding as of February 28, 2023, was approximately $15 billion. The Corporation's statutory debt capacity stands at $18 billion.

Mr. Gould, again, turned to Ms. Duffy to present the Corporation's Investment Report. As of March 20, 2023, funds under management totaled approximately $5.2 billion. This report reflects routine investment activity. The Corporation has demand deposits with various banks. In accordance with the Corporation's Investment Guidelines, the deposits with banks listed under the Certificate of Deposit and Demand Deposit sections of the Investment Report are collateralized with a Letter of Credit with the FHLB or U.S. government securities.

On March 12, 2023, Signature Bank was closed by the New York State Department of Financial Services which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. To protect depositors, the FDIC transferred all the deposits and all of the assets of Signature Bank to Signature Bridge Bank, N.A. Signature Bridge Bank, N.A. is a full-service bank that was operated by the FDIC as it marketed the institution to potential bidders. The transfer of all the deposits was completed under the Systemic Risk Exception approved on March 12, 2023. All depositors of the institution were made whole. HDC's FHLB letters of credit remained in place as well.

Ms. Duffy explained that on March 19, 2023, the FDIC entered into a purchase and assumption agreement for substantially all deposits and certain loan portfolios of Signature Bridge Bank, by Flagstar Bank, a wholly owned subsidiary of New York Community Bancorp, Inc. The 40 former branches of Signature Bank are operating under New York Community Bankcorp's Flagstar Bank, N.A., as of Monday, March 20, 2023.

Depositors of Signature Bridge Bank, N.A., other than cash depositors related to the digital-asset banking businesses, automatically became depositors of the assuming institution. All deposits assumed by Flagstar Bank, N.A., will continue to be insured by the FDIC up to the insurance limit. The Corporation has a banking relationship and deposits with Flagstar Bank via New York Community Bank, which is part of Flagstar Bank. Ms. Duffy concluded her report by explaining that the Corporation's balances and letters of credit were transferred to Flagstar Bank, and the Corporation's letter of credit remained in place under the name of Flagstar Bank.

Ms. Denise Scott, Board Member, posed a question to Ms. Duffy regarding other banks in the Corporation's portfolio that were being evaluated for potential risk. Ms. Duffy noted that most of the banks have FHLB letters of credit. Ms. Duffy does not see any credit concerns at this time. The Corporation is constantly monitoring and reviewing each bank it works with and has many controls that are designed to limit risk. Ms. Scott followed up by asking how the Corporation is watching other sectors, such as the community development side of not-for-profit organizations, regional banks, and developers, in addition to its monitoring of the bank market. Mr. Eric Enderlin, President, noted that the Corporation continuously reviews the market to assess how change ripples across various sectors such as real estate and credit.

Mr. Gould then posed a question to Ms. Duffy about Barclays Bank and the nature of the Corporation's work with the Bank. Ms. Duffy answered that the Corporation does not have bank deposits with Barclays. Mr. Enderlin added that the Corporation is focused on the lending aspects as they relate to risk and that tax credit investors are less of a concern. Mr. Gould then asked Mr. Enderlin if there was anything else to note. Mr. Enderlin responded that the Corporation is always tracking the market and all the various impacts stressors could have on the Corporation's portfolio. Ms. Scott added that her organization is taking a closer look at commercial real-estate exposures.

Mr. Gould then called on Mr. Jeremy Boyer, Credit Analyst, for the Corporation's Counterparty Credit Risk Exposure Report. Mr. Boyer noted that since the last report to the Audit Committee, an enhancement had been added to the Counterparty Report. On the final page of the report is a summary of HDC's interest rate hedges and corresponding counterparties which is new to the report. Mr. Boyer stated that the report is dated March 22, 2023. The previous report to the Audit Committee was dated December 31, 2022.

Mr. Boyer noted that there was one rating agency action of note – the withdrawal of the credit rating for Signature Bank by Moody's in response to the bank's shutdown earlier this month. There were no new approved counterparties. Mr. Boyer stated that the Corporation's counterparty exposure remains diversified with the largest exposures being with Fannie Mae, Freddie Mac, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters of credit covering 24 projects.

Investments rated double-A or higher were 57% of total investments, versus 56% at the last report, while investments rated triple-B or not rated were 28% of total investments, versus 18% in the last report. This increase is primarily due to the repositioning of funds from Signature Bank. All investments rated triple-B or not rated are fully collateralized by high quality U.S. Treasury or agency securities and/or FHLB letters of credit. HDC exposure to liquidity providers was unchanged at approximately $484 million.

Mr. Gould then called on Mr. Neil Saranga, Senior Internal Auditor, to present the Internal Audit Report. Mr. Saranga noted that since the last report to the Audit Committee on January 13, 2023, Internal Audit completed three projects. First, was the 2022 Employee Expenses audit. The audit objectives were to determine whether adequate controls exist to ensure employee expenses and other related expenses were appropriate, properly authorized, and accurately recorded. The audit additionally evaluated and tested compliance with the Corporation's policies and procedures relating to employees' expenses. Mr. Saranga noted that the team found the Corporation's guidelines to be effective and found no matters involving internal controls and its operation that they consider to be material weaknesses.

Next, Mr. Saranga presented the 2022 President's Office Expenses audit. The audit objectives were to evaluate the accuracy of the President's Office expenses recorded in Oracle and ensure they were accurately reflected in the General Ledger, as well as evaluate whether the expenses classified under the President's Office adhere to the applicable policies and procedures for employee expense reimbursements. Mr. Saranga, again, noted that it found the Corporation's guidelines to be effective and found no matters involving internal controls and its operation that they consider to be material weaknesses.

Mr. Saranga reminded the Audit Committee that the Employee Expenses and President's Office Expenses audits are required to be performed each year pursuant to the 2003 MOU between the Corporation and New York City's Department of Investigation.

The last audit Mr. Saranga presented was the 2022 Continuous Monitoring of Investments. The objectives were to determine whether the investment portfolio complies with all aspects of the Corporation's Investment Guidelines and determine whether investments were accurately recorded on custodial bank statements. Mr. Saranga noted that the audit team monitored the investment portfolio throughout the year on a quarterly basis and found that the portfolio complied with all aspects of the Corporation's Investment Guidelines. Mr. Saranga concluded by noting that the investment portfolio was supported by custodial bank statements and regularly reconciled.

Mr. Gould then called on Mr. Saranga to present the Second Quarter 2023 Audit Plan. Mr. Saranga noted that the proposed projects for the second quarter include the continuation of two advisory projects, an internal audit, and continuous monitoring of the investment portfolio. Hearing no questions, Mr. Saranga requested approval of the Second Quarter 2023 Audit Plan. Ms. Scott made a motion, and the audit plan was approved.

Mr. Gould then called on Ms. Colleen Duffy, Managing Director for BDO's Nonprofit Advisory Services, to present the Quality Assessment Review of HDC's Internal Audit function. Ms. Duffy reported that the review was done through performing interviews, as well as reviewing documents. BDO found HDC's Internal Audit department "Generally Conforms" with the Institute of Internal Auditors (IIA) Standards. "Generally Conforms" is a good rating, and BDO found strong practices present. Moreover, HDC's Internal Audit function is viewed throughout the organization as independent, well-respected, and knowledgeable. Documentation was additionally found to conform to the IIA's Standards.

BDO then outlined various recommendations split into two categories. The first category addressed technical compliance and/or conformity with the IIA Standards. Specific recommendations within this category were for the Audit Committee Charter to specifically state to review and approve the Internal Audit charter; address the dual role with the Chief Audit Executive and Chief Risk Officer with a document on impairment process ensuring that the Internal Audit function remains independent; and specific acknowledgement by Internal Audit staff of the IIA's Code of Ethics (as opposed to the

HDC Code of Ethics). The second category addressed certain practices of the Internal Audit function. Specifically, the recommendations were to engage specialized resources for certain audit areas such as technology; define the minimum number of continuing professional education (“CPE”) credits required by each Internal Audit staff member; enhance document retention; and formalize a process to follow up on issues raised from internal audits. With no questions, Ms. Duffy concluded her presentation.

At 10:06 a.m., with no further business, the meeting was adjourned.

Respectfully submitted,

Austin Chin

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ATTENDANCE LIST (VIRTUAL MEETING)

NAME	**AFFILIATION**
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Colleen Duffy	BDO
Danielle Hurlburt	Ernst & Young
Cathy Baumann	NYC Housing Development Corp.
Jeremy Boyer	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Eric Enderlin	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Sophia Klein	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.