

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

***June 1st, 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 Thursday, June 1, 2023.

The meeting was called to order at 2:02 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 March 31, 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 Mr. Cheuk Yu, Deputy Controller, to present the Corporation’s Second Quarter Financial Report for Fiscal Year (“FY”) 2023 which covers the period November 1, 2022 thru April 30, 2023. Mr. Yu noted that as of the end of the second quarter, revenues exceeded expenses by \$287.9 million, compared with the same period in FY 2022 when net income was a negative \$38.7 million. The increase of \$326.6 million was largely due to the improvement of the fair value of the Corporation’s investment securities. The investment portfolio’s fair market value improved by \$95.1 million from FYE 2022 and was recorded as an unrealized gain. Approximately 50% of the Corporation’s investments are subject to fair market valuation. Excluding the fair market value adjustment, net income would have been \$192.8 million.

Mr. Yu continued by reporting that operating revenues for this period were \$359.6 million compared to \$345.4 million during the same period last year. Mortgage interest earnings increased by \$34.8 million or 12.6% from a year ago; however, mortgage related fee income decreased by \$17.3 million as there were fewer loan closings this period. Non-operating revenues, which mainly consist- of investment earnings, saw a significant increase, largely due to the aforementioned increase in the fair market value. Realized investment earnings increased by \$29.5 million from a year ago. Operating expenses increased by \$29.4 million, primarily due to the increase in bond interest expense.

Assets were at \$22.4 billion, an increase of \$850.4 million or 3.9% from fiscal year end 2022. This increase was mainly due to the Corporation’s on-going lending activities, as mortgage loan advances were at \$1.2 billion through this period. The mortgage portfolio, net of conduit loans, was \$18.2 billion and comprises 81.3% of total assets and, is currently performing well with a delinquency rate as of April 30, 2023, below 3% of monthly billings.

Mr. Yu concluded by reporting that total liabilities were \$18.4 billion, a net increase of \$562.6 million or 3.1% from FYE 2022. Bonds and debt obligations increased by a net of \$409.7 million. New issuances were at \$751.7 million, while principal repayments totaled

\$338.6 million. Mr. Yu closed by noting that the net position at the end of the second quarter was \$4.0 billion, up by \$287.9 million, from fiscal year end 2022.

Ms. Denise Scott, Board Member, posed a question regarding the delinquency rate of less than 3% and asked what this number was the prior year. Ms. Mary John, Senior Vice President and Controller, noted that this number had always been under 2% prior to this year. Ms. John noted that the increase in delinquency rates is due to slower rental collections as well as an increase in operating expenses, with an emphasis on increased insurance premiums. Ms. Scott noted that these same issues were showing up in other portfolios across the country and requested that the Corporation keep a close eye on the portfolio as well as general partner and/or sponsor weaknesses. Mr. Eric Enderlin, President, noted that the Corporation is watching this and looking into more ways to monitor even more closely to be proactive.

Mr. Gould then called on Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to present the Corporation's Debt Report. Ms. Duffy stated that the Corporation's Debt Report is as of April 30, 2023. The last debt report presented to the Audit Committee was as of February 28, 2023. Ms. Duffy noted that during this time, the Corporation issued two series of Open Resolution bonds in the amount of \$54.9 million and remarketed \$58.1 million of bonds. There were bond redemptions in one series of Open Resolution bonds in the amount of \$59 million and one stand-alone series of bonds in the amount of \$50 million. The Corporation's debt outstanding as of April 30, 2023 is approximately \$15 billion. The Corporation's statutory debt capacity stands at \$18 billion.

Mr. Gould posed a question if the Corporation had plans to raise the \$18 billion ceiling. Ms. Duffy noted that it has been requested of the state legislature to increase this to \$19 billion. Ms. Elizabeth Strojan, Senior Vice President for Administration & External Affairs & Chief of Staff, noted that this proposal has passed the Assembly and is on to the Senate floor. Ms. Strojan stated that the Corporation does not anticipate any problems with this measure passing. Mr. Gould added that there has never been an issue with this passing in the past, so the Corporation should feel reasonably confident.

Mr. Gould, again, turned to Ms. Duffy to present the Corporation's Investment Report. Ms. Duffy stated that the Corporation's Investment Report is as of May 10, 2023. Funds under management totaled approximately \$4.99 billion. This report reflects routine investment activity.

Mr. Gould then called on Ms. Mary Hom, Chief Risk Officer, for the Corporation's Counterparty Credit Risk Exposure Report. Ms. Hom noted that the report is dated April 30, 2023. The previous report to the Audit Committee was dated March 22, 2023.

Ms. Hom stated that subsequent to the date of the report, there were two bank upgrades. The deposit rating for Bank of America was upgraded by Moody's to Aa1 from Aa2. Moody's cited Bank of America's strengthened capital, improved earnings profile, and restrained risk appetite as reasons for the upgrade. Similarly, S&P upgraded the deposit rating for Barclays Bank to A+ from A due to Barclays' strong earnings performance and prudent funding and liquidity profile. There were no new approved counterparties.

Ms. Hom added that HDC's counterparty exposure remains diversified with the largest exposures being with FNMA, FHLMC, 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 56% of total investments, versus 57% at the last report. Investments rated triple-B or not rated were 31% of total investments, versus 28% at the last report. All investments rated triple-B or not rated are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. HDC exposure to liquidity providers was up \$58 million to approximately \$542 million due to the remarketing of the 2018 Series L-2 bonds. Ms. Hom noted that interest rate hedge providers were unchanged since the last report.

Mr. Gould then again called on Ms. Hom, to present the Internal Audit Report. Ms. Hom stated that Internal Audit does not have any completed audits to report on at this meeting as there are a couple of audits still in process, and they will present those results when these audits are complete.

Ms. Hom noted that the annual Internal Audit Internal Assessment for 2022 was completed. Ms. Hom stated that in accordance with The International Professional Practices Framework, or "IPPF," the conceptual framework that organizes authoritative guidance promulgated by The Institute of Internal Auditors, HDC has conducted its 2022 Internal Audit Internal Assessment. This annual internal assessment is part of HDC's Quality Assurance and Improvement Program as dictated by the IPPF and helps to ensure that HDC's internal audit function operates effectively. Ms. Hom added that the assessment before the Committee outlines the structure and activities of the internal audit function for calendar year 2022, including all audits completed, Internal Audit projects and initiatives, governance and oversight activities, and updates regarding employee development and ongoing training that helps to ensure that staff remains current on all internal audit best practices.

Mr. Gould then called on Ms. Hom to present the Third Quarter 2023 Audit Plan. Ms. Hom presented for the Members approval an Internal Audit plan for the third quarter of 2023. The proposed projects for the third quarter include the continuation of two advisory projects and one assurance project, a new advisory project, and continuous monitoring of the investment portfolio. Hearing no questions, Ms. Hom requested approval of the Third Quarter 2023 Audit Plan. Ms. Scott made a motion, and the audit plan was approved.

Mr. Gould again called on Ms. Hom to present the Audit Committee Charter. Ms. Hom recommended that the Members approve the Audit Committee Charter. Ms. Hom noted that the Corporation's Audit Committee Charter requires an annual review by the Committee to determine the Charter's adequacy. The last time the Audit Committee reviewed and approved the Audit Committee Charter was June 1, 2022.

Ms. Hom stated that the only substantive change incorporates a recommendation made by BDO as part of the five-year Quality Assessment Review that was completed earlier this year and reported to the Audit Committee on March 31, 2023. The recommendation was that the Audit Committee Charter should specifically state that it is the responsibility of the Audit Committee to review and approve the Internal Audit Charter. Ms. Hom noted that while it has always been the responsibility of the Audit Committee to review and approve

the Internal Audit Charter, the Corporation accepted BDO's recommendation and incorporated this language into the Audit Committee Charter. For reference, the last time the Audit Committee reviewed and approved the Internal Audit Charter was March 28, 2019. The Internal Audit Charter requires periodic review and approval whenever there are substantive changes or at least every five years. Aside from the incorporation of this recommendation, the only other changes to the Audit Committee Charter were the updating of staff titles and the move to a quarterly audit plan. Hearing no questions, Ms. Hom requested approval of the Audit Committee Charter. Ms. Scott made a motion, and the Charter was approved.

At 2:19 p.m., with no further business, the meeting was adjourned.

Respectfully submitted,

*Jeremy Boyer*

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*June 1st, 2023*

**ATTENDANCE LIST (VIRTUAL MEETING)**

**NAME**

**AFFILIATION**

|                   |                               |
|-------------------|-------------------------------|
| Harry Gould       | Audit Committee Member        |
| Denise Scott      | Audit Committee Member        |
| 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. |
| Terry Gigliello   | NYC Housing Development Corp. |
| Mary Hom          | NYC Housing Development Corp. |
| Mary John         | NYC Housing Development Corp. |
| Sophia Klein      | NYC Housing Development Corp. |
| Madhavi Kulkarni  | NYC Housing Development Corp. |
| Tinru Lin         | NYC Housing Development Corp. |
| Susannah Lipsyte  | NYC Housing Development Corp. |
| Ruth Moreira      | NYC Housing Development Corp. |
| Trisha Ostergaard | NYC Housing Development Corp. |
| Neil Saranga      | NYC Housing Development Corp. |
| Elizabeth Strojan | NYC Housing Development Corp. |
| Cheuk Yu          | NYC Housing Development Corp. |