

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

*November 2nd, 2011*

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held on Wednesday November 2nd, 2011 at the offices of the Corporation, 110 William Street, 10<sup>th</sup> Floor, New York, New York.

The meeting was called to order at 10:30am by Mr. Felix Ciampa, Board Member, who noted the presence of a quorum. Mr. Ciampa called for approval of the minutes from the September 15th, 2011 meeting. The minutes were approved.

Mr. Ciampa turned to Mr. Rich Froehlich, Executive Vice President of Capital Markets and General Counsel of the Corporation to provide an overview of the agenda.

Mr. Ciampa then turned to Mr. Randy Nelson and Ms. Kimberly Hancy, HDC's audit partner and senior manager respectively at Ernst & Young, to present the firm's audit plan for HDC's Fiscal Year 2011, which ended on October 31<sup>st</sup>. Mr. Nelson noted Ernst & Young's strong and experienced team that has been working with HDC for years. Mr. Nelson provided a brief overview of the presentation and then turned to Ms. Hancy for further details. Ms. Hancy noted that there would be no significant changes from the services performed last year. Ms. Hancy directed the Member's attention to the audit plan booklet furnished to the Members, and reviewed the deliverables and areas of audit emphasis outlined there. Ms. Hancy further noted the GASB statement changes and mentioned that they will not have an impact on the Corporation. Mr. Nelson then concluded the presentation by noting that there are many resources available to the board members on the back of the booklet.

Mr. Ciampa then turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance to present the debt report. Ms. Duffy noted that the Corporation issued \$208.77 million of Open Resolution bonds in September. Redemptions in August and September totaled \$61.97 million. Open Resolution Redemptions totaled \$55.37 million from 4 series of bonds. Redemptions in Stand Alone Resolutions were from 2 series of bonds and totaled \$6.6 million. Ms. Duffy reported that HDC's debt outstanding as of September 30, 2011 is approximately \$8.47 billion. Ms. Duffy further noted that the Corporation's statutory debt capacity stands at \$10.25 billion.

Mr. Ciampa then turned again to Ms. Duffy to provide the Corporation's Weekly Investment Report for the week of November 2, 2010. Funds under management totaled approximately \$2.8 billion, consistent with the balances the Corporation has been experiencing this year. Ms. Duffy stated that the report reflects routine investment activity.

Mr. Ciampa then turned again to Ms. Duffy to provide the Corporations' Weekly Investment Report for the week of ending October 10, 2011. Funds under management


transactions were properly processed in MBS, interfaced in Payables, and recorded in the General Ledger (GL). 3.) Determine that advances were processed and disbursed in accordance with the requirements of the servicing agreements and the CL procedures. The audit period covered CL advances processed during the period of November 1, 2010 through April 30, 2011 for both HDC loans and loans serviced for HPD. Based on the review of the selected advances, Internal Audit found that advances were properly processed in the (MBS) and Payables Modules; were accurately recorded in the GL and were generally processed and disbursed in accordance with the servicing agreement and the construction loan procedures. Ms. Jarvis stated that Internal Audit made recommendations to management pertaining to: Removal of inappropriate access to the MBS Module and processing the titles for Developer Equity Advances for loans serviced for HPD.

At 10:55 am, with no further business, Mr. Ciampa moved to dismiss and the meeting was adjourned.

Respectfully submitted,

*Violine Roberty*

*Jaclyn Moynahan*

A handwritten signature in black ink, appearing to be 'Jaclyn Moynahan', written in a cursive style.

totaled approximately \$2.5 billion, consistent with the balances we have been experiencing this year. Ms. Duffy stated that this report reflects routine investment activity.

Mr. Ciampa then recognized Ms. Mary Hom, Deputy Director-Credit Risk, for the Counterparty Credit Risk Exposure Report. Ms. Hom reported that there was only one change to the list of counterparties since the last report: Allied Irish Bank was removed from the list as the bonds previously enhanced by AIB were redeemed in September. On rating agency actions, Ms. Hom reported that there were three downgrades of note: On September 21, Moody's downgraded two U.S. banks, Bank of America and Wells Fargo, a couple of notches due to the rating agency's feeling that there was a decreased possibility of U.S. government support in light of Dodd-Frank. Additionally, on October 6, S&P downgraded Dexia to A- on liquidity concerns; Dexia remains on watch by both Moody's and S&P. With the global economies in the news lately, Ms. Hom reported that she added an enhancement to her report: country exposure outside of the U.S. Ms. Hom noted that foreign counterparty exposure totaled approximately 10% of total counterparty exposure with the mix fairly evenly split between investment risk and letter-of-credit risk. HDC's largest country exposure outside of the U.S. was to Germany, specifically to four of the German Landesbanks, primarily in the form of letters-of-credit, and a smaller exposure to GIC investments. The next largest country exposure was to the United Kingdom, specifically with HSBC, primarily in the form of money market and letter-of-credit exposure. Ms. Hom continued her report by noting that the Corporation's counterparty exposure remained pretty well-diversified with the largest exposure continuing to be with Fannie Mae (primarily in the form of permanent credit enhancement), followed by Citibank (primarily in the form of construction letters-of-credit). Investments rated double-A or higher were 65% of total investments (down from 68% at the last report). The weighted average maturity was 3.9 years (down slightly from 4.1 years at the last report). Ms. Hom concluded her report by noting that exposure to liquidity providers was unchanged since the last report at approximately \$24 million.

Mr. Ciampa then turned the Members' attention to Ms. Shirley Jarvis, Vice President of Internal Audit, to request the approval of the Internal Audit Charter, dated October 24, 2011. Ms. Jarvis noted that the Charter outlines the purpose, authority and responsibilities of the corporation's Internal Audit department and the professional standards by which the audit staff perform their duties. She stated that the Charter had been approved by executive management and must be approved by the Member of the Committee. Ms. Jarvis requested approval from the Members and the Charter was approved.

Mr. Ciampa then turned again to Ms. Shirley Jarvis to present the Internal Audit reports. Ms. Jarvis reported that since the last Audit committee meeting, Internal Audit have completed the Development compliance review and were currently conducting reviews of Loan Servicing, the revenue billing process, the annual audit of petty cash and the accounts receivable audit. Ms. Jarvis made reference to the Construction Loan Audit Report included in the Members package and proceeded to summarize the results of the review. She noted that the primary objectives of the audit were to: 1.) Ensure that access to Mortgage Billing System (MBS) was appropriate, based on job responsibilities, 2.) Reconcile the selected HDC and HPD construction loan (CL) advances to ensure the

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**ATTENDANCE LIST**

<u>NAME</u>	<u>AFFILIATION</u>
Denise Scott	Audit Committee Member
Felix Ciampa	Audit Committee Member
Randy Nelson	Ernst & Young
Kimberly Hancy	Ernst & Young
Jim Tierney	Department of Investigations
Debra Harlica	Department of Investigations
Marc Jahr	NYC Housing Development Corp.
Richard Froehlich	NYC Housing Development Corp.
Joan Tally	NYC Housing Development Corp.
Eileen O'Reilly	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Pellegrino Mariconda	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Urmias Naeris	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Shirley Jarvis	NYC Housing Development Corp.
Bharat Shah	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Uyen Luu	NYC Housing Development Corp.
Catherine Foody	NYC Housing Development Corp.
Jaclyn Moynahan	NYC Housing Development Corp.
Zenaida Bhuiyan	NYC Housing Development Corp.
Violaine Roberty	NYC Housing Development Corp.