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

April 7, 2025

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held at the Corporation's office at 120 Broadway on Monday, April 7, 2025.

The meeting was called to order at 3:00 p.m. by Mr. Harry Gould, Board Member, who noted the presence of a quorum. He and Ms. Denise Scott, Board Member, were present. Mr. Gould called for approval of the minutes from the January 28, 2025 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 provided an overview of the agenda.

Mr. Gould turned to Mr. Cheuk Yu, Vice President and Controller, to present the Corporation's Fiscal Year ("FY") 2025 First Quarter Financial Report. Mr. Yu noted that the first quarter of the fiscal year 2025 financials covers the period November 1, 2024, through January 31, 2025. As of the end of the first quarter, Mr. Yu stated that revenues exceeded expenses by $149 million, compared with the same period in fiscal year 2024 when net income was $238.3 million. The $89.2 million decrease was primarily due to the recapture of a smaller portion of the unrealized loss on the investment portfolios this quarter, compared to the same quarter last year.

Mr. Yu reported that operating revenues for this period were $239.5 million, compared to $220.9 million during the same period last year. Interest income on mortgage loans, the largest component of operating revenues, totaled $219 million, an increase of $27.8 million or 14.6% from a year ago. Non-operating revenue was $53.8 million, compared to $146.3 million a year ago. The $92.5 million decrease was due to a smaller fair value improvement of $2.3 million this quarter, compared to an improvement of $106.6 million in the same quarter last year. Realized investment earnings were $46.9 million, an increase of $10 million. Operating expenses were $144.2 million, an increase of $15.3 million, primarily related to the $13.9 million increase in bond interest expense due to the continuing elevated interest rate environment.

Total assets were at $29.5 billion, an increase of $739.6 million or 2.6% from fiscal year end 2024. The increase was primarily due to normal growth of the Corporation's mortgage portfolio. The mortgage portfolio, net of conduit loans, increased by a net of $384.4 million to $22.9 billion, accounting for approximately 77.6% of total assets. The 90-day delinquency rate was around 3% this quarter and continues to perform relatively well. In past meetings, the team reported on the 30-day delinquency rate; however, with mortgage payments still coming in at that time, we think the 90 day delinquency rate is a better indicator of how the portfolio is performing.

Mr. Yu noted that total liabilities were $24.5 billion, a net increase of $590.5 million or 2.5% from fiscal year end 2024. Bonds and debt obligations excluding conduit debt increased by a net of $127.3 million. New issuances were at $428.9 million, while principal repayments totaled $303.2 million. Payable to the City of New York increased by $568.2 million primarily due to the receipt of grant funds to make mortgage loans on behalf of HPD under Section 661 of the Private Housing Finance Law. Mr. Yu concluded that net position at the end of the first quarter was $5 billion, an increase of $149 million from fiscal year end 2024.

Mr. Gould 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 February 28, 2025. The last report presented to the Audit Committee was as of December 31, 2024. Ms. Duffy noted that during this time, the Corporation did not issue any bonds. The Corporation redeemed $122.4 million of bonds in one series of Open Resolution Bonds. The Corporation's debt outstanding as of February 28, 2025, is approximately $17.1 billion. The Corporation's statutory debt capacity is $19 billion.

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 March 19, 2025. Funds under management totaled approximately $7.3 billion. Ms. Duffy concluded that this report reflects routine investment activity.

Mr. Gould then called on Ms. Trisha Ostergaard, Managing Director of Credit Risk, for the Corporation's Counterparty Credit Risk Exposure Report. Ms. Ostergaard noted that the report is dated February 28, 2025. The previous report to the Audit Committee was dated December 31, 2024.

Ms. Ostergaard stated that there were no new approved counterparties, and there was one rating agency action of note subsequent to the date of this report. On March 12th, Moody's upgraded Flagstar Bank one notch to Ba1 from Ba2 and assigned a positive outlook. In its upgrade, Moody's cited the material steps Flagstar has taken in the past year to strengthen its risk governance and infrastructure and improve its capital and reserve positions.

Ms. Ostergaard 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 20 projects and six interest rate hedges. Investments rated double-A or higher were 42% of total investments, versus 45% at the last report, and investments rated triple-B and lower or not rated were 40% of total investments, versus 39% at the last report. All investments rated triple-B and lower or not rated are fully collateralized by Federal Home Loan Bank municipal letters-of-credit ("MULOC") and/or U.S. Treasury or Agency securities. The weighted average maturity of the investment portfolio was 1.7 years versus 1.8 years at the last report. Ms. Ostergaard concluded that HDC's exposure to liquidity providers was approximately $788 million, and interest rate hedges outstanding totaled approximately $1.8 billion.

Ms. Scott posed a question whether market volatility from tariffs and other issues could have an impact on foreign bank credits, construction materials, and future deals. Ms. Duffy responded that there were no concerns on the investment side due to rigorous monitoring of banks, established limits, and credit support from the Federal Home Loan Bank.

Ms. Ruth Moreira, Executive Vice President of Development, noted that the Credit Risk team are constantly monitoring the exposure with the different banks, ratings and concentration. On the Development side, based on conversations with HPD and NYCHA, the impact of tariffs is likely to make construction more expensive and that could lead to an impact on subsidy and fewer deals being completed in the long term. Ms. Moreira noted that the Corporation continues to work closely with HPD to review anything that can be proactively fixed. Most of the existing construction deals should be insulated from this risk as construction materials for those deals should have already been procured. In addition, there are also budgeted contingencies and reserves available for cost overruns. As of this moment, Ms. Moreira reported that the Corporation hasn't heard of any specific impacts on existing deals. HDC underwrites conservatively, but will notify the Board Members should any deals have issues requiring Board action.

Mr. Gould posed a question if there are concerns with Fannie Mae and Federal Home Loan Bank staff cuts. Ms. Moreira noted that the Corporation is monitoring HUD for any potential layoffs. This could impact the workflow on the NYCHA PACT portfolio and FHA Risk Share which is a large mortgage insurer for the Corporation. To date, Ms. Moreira reported, the HUD staff we rely on are still there, and they continue to be helpful and responsive. With the GSEs replacing their leadership and board members, the Corporation continues to monitor for a possible privatization.

Mr. Marc Norman, Board Member, arrived at the beginning of the presentation by Mr. Neil Saranga, Deputy Director of Internal Audit.

Mr. Gould then called on Mr. Saranga to present the Internal Audit Report. Since the last report to the Audit Committee, Mr. Saranga noted that three internal audit projects were completed – Investments (continuous monitoring); Escrow Servicing; and the Global Internal Audit Standards Conformance Assessment.

Starting with Investments, the team continuously monitored the investment portfolio throughout the year to ensure the portfolio complies with all aspects of HDC's Investment Guidelines, and to determine whether investments were accurately recorded on custodial bank statements. The team found that the investment portfolio complied with all aspects of HDC's Investment Guidelines. Additionally, the investment portfolio was supported by custodial bank statements and regularly reconciled. Internal controls include segregation of duties, investment guidelines that are reviewed and approved each year by the Audit Committee, daily mark-to-market, monthly reconciliation, quarterly reports to the Audit Committee, and various reviews by the Credit Risk and Internal Audit departments.

Moving to Escrow Servicing, the objectives were to evaluate the adequacy of controls over the escrow servicing process; ensure that escrow funds are managed with optimal accuracy and compliance; and ensure that each of the escrow funds are being escrowed effectively and efficiently within the Loan Servicing division. Upon completion of this audit, the team noted no matters involving internal controls and its operation that were considered material weaknesses. The team found that key aspects of the escrow servicing process were completed properly as guided by HDC's escrow servicing policies and procedures.

Finally, Internal Audit performed an assessment of HDC's conformance with the revised Global Internal Audit Standards that became effective earlier this year. The assessment found that the Internal Audit department generally aligns with the updated standards, demonstrating strong adherence to key principles such as integrity, objectivity, and competency. Two areas for improvement were cited, and an action plan has been developed to address these two areas for improvement. Mr. Gould posed a question clarifying that there were only two items that were partially conformed. Mr. Saranga confirmed that the two items are 1) an internal audit strategy document that is being developed as part of the risk assessment process done annually; and 2) an errors and omissions policy that needs to be devised. Both items are currently being developed by the Internal Audit team.

Mr. Gould again turned to Mr. Saranga to present the 2024 Internal Audit Internal Assessment. Mr. Saranga noted that authoritative guidance from The Institute of Internal Auditors (or "IIA") suggests that organizations conduct an annual assessment of its internal audit function. This annual internal assessment is also a part of HDC's Quality Assurance and Improvement Program (QAIP) as dictated by the IIA and helps to ensure that HDC's internal audit function operates effectively. The report outlines the structure and activities of the internal audit function for calendar year 2024, 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 again turned to Mr. Saranga to present the Second Quarter 2025 Audit Plan. Mr. Saranga stated that the proposed Internal Audit plan for the Second Quarter of 2025 includes four advisory projects, continuous monitoring of HDC's investment portfolio and employee expenses, and ongoing work spearheading the PII Working Group and the AI Working Group. Hearing no questions, Mr. Saranga requested the Audit Committee Members approve the Second Quarter 2025 Internal Audit Plan. Mr. Gould called for a motion, and the Second Quarter 2025 Internal Audit Plan was approved.

At 3:25 p.m., with no further business, the meeting was adjourned.

Respectfully submitted,

Austin Chin

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ATTENDANCE LIST (HYBRID (LIVE/VIRTUAL) MEETING)

NAME	**AFFILIATION**
Harry Gould	Audit Committee Member
Marc Norman	Audit Committee Member
Denise Scott	Audit Committee Member
Danielle Hurlburt	Ernst & Young
Cathy Baumann	NYC Housing Development Corp.
Wanjiru Bila	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Lisa Geary	NYC Housing Development Corp.
Horace Greene	NYC Housing Development Corp.
Kimberly Huang	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Morgana Laurent	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Uyen Luu	NYC Housing Development Corp.
Stephanie Mavronicolas	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Mussa Sanoe	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Steve Splawinski	NYC Housing Development Corp.
Bobby Toth	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.