

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

June 3, 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 Tuesday, June 3, 2025.

The meeting was called to order at 11:00 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 April 7, 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 Second Quarter Financial Report. Mr. Yu noted that the second quarter of the fiscal year 2025 financials covers the period November 1, 2024, through April 30, 2025. As of the end of the second quarter, Mr. Yu stated that revenues exceeded expenses by \$375.9 million, compared with the same period in fiscal year 2024 when net income was \$323.6 million. The \$52.3 million increase was primarily due to increases in realized investment earnings on a larger investment portfolio and the receipt of funding from the Battery Park City Authority this quarter, compared to the same period last year.

Mr. Yu reported that operating revenues for this period were \$484.1 million, compared to \$433.5 million during the same period last year. Interest income on mortgage loans, the largest component of operating revenues, totaled \$446.1 million, an increase of \$67.7 million or 17.9% from a year ago. Non-operating revenue was \$181.5 million, compared to \$147.6 million a year ago. The \$34 million increase was due to realized investment earnings of \$95.7 million this period, which is an increase of \$17.9 million compared to the same period last year, as well as \$20 million receipt of funding from the Battery Park City Authority. Operating expenses were \$289.8 million, an increase of \$32.2 million, primarily related to the \$28.7 million increase in bond interest expense due to the continuing elevated interest rate environment.

Total assets were at \$30.2 billion, an increase of \$1.4 billion or 4.9% 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 \$630.8 million to \$23.3 billion, accounting for approximately 76.6% of total assets. The 90-day delinquency rate remained above 3% this quarter and continues to perform relatively well.

Mr. Yu noted that total liabilities were \$25 billion, a net increase of \$1 billion or 4.4% from fiscal year end 2024. Bonds and debt obligations excluding conduit debt increased by a net of \$501.4 million. New issuances were at \$831.9 million, while principal repayments totaled

\$330.1 million. Payable to the City of New York increased by \$755 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 second quarter was \$5.2 billion, an increase of \$375.9 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 April 30, 2025. The last report presented to the Audit Committee was as of February 28, 2025. Ms. Duffy noted that during this time, the Corporation issued four series of Open Resolution bonds totaling \$403 million. The Corporation redeemed \$146 million of bonds in two stand-alone bond resolutions. The Corporation's debt outstanding as of April 30, 2025 is approximately \$17.3 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 May 5, 2025. Funds under management totaled approximately \$7.5 billion. Ms. Duffy concluded that 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, 2025. The previous report to the Audit Committee was dated February 28, 2025.

Ms. Hom stated that there was one new approved counterparty – Metropolitan Commercial Bank ("MCB"). Established in 1999, MCB is a full-service commercial bank based in New York City that focuses on small- and middle-market businesses, public entities, and affluent individuals. As of March 31, 2025, MCB had total assets of \$7.6 billion and total deposits of \$6.4 billion. While unrated by Moody's and S&P, MCB has a BBB+ rating from Kroll. MCB is approved for money markets backed by a Federal Home Loan Bank municipal letter-of-credit ("MULOC"). There are no credit rating agency actions of note reflected on the report; however, subsequent to the date of the report, on May 16, 2025, Moody's downgraded the U.S. Government one notch from Aaa to Aa1. In its downgrade, Moody's cited the continued increases in government debt and interest payment ratios that are significantly higher than similarly rated sovereigns. As a result of this downgrade, Moody's subsequently downgraded the government sponsored entities ("GSE") one notch to Aa1 from Aaa, and downgraded a number of systemically important U.S. banks one notch, including Bank of America, Bank of New York Mellon, JPMorgan Chase, and Wells Fargo. These rating changes will be reflected in the next counterparty report to the Audit Committee.

Ms. Hom added that HDC's counterparty exposure remains diversified with the largest exposures being with FHLMC, FNMA, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters-of-credit covering 18 projects and six interest rate hedges. Investments rated double-A or higher were 42% of total investments unchanged since the last report. Investments rated triple-B and lower or not rated were 39% of total investments, versus 40% at the last report. All investments rated triple-B and lower or not rated are fully collateralized by Federal Home Loan Bank MULOC and/or U.S. Treasury/Agency securities. The weighted average maturity of the investment portfolio was

1.6 years versus 1.7 years at the last report. Ms. Hom concluded that HDC's exposure to liquidity providers was approximately \$786 million, and interest rate hedges outstanding totaled approximately \$1.8 billion.

Ms. Denise Scott, Board Member, voiced concerns on the recent news that shareholders had voted against the 2024 pay package of the CEO of MCB. While these "say-on-pay" votes on executive compensation are non-binding, Ms. Scott was concerned that this vote was not a good sign. Ms. Hom responded that Credit Risk constantly monitors the banks, and Ms. Duffy added that when a new bank is approved for money markets, Cash Management deposits a test amount. As of the date of this report, HDC had \$69.5 million in money market exposure to MCB. Mr. Marc Norman, Board Member, posed a question whether the Corporation uses certain ratios for investments in banks that are rated and non-rated. Ms. Duffy responded that they don't, since large, rated banks do not offer interest rates as attractive as some of the smaller, unrated banks. All money market banks are required to be backed by Federal Home Loan Bank MULOcs, enabling HDC to retrieve the funds at any time.

Mr. Gould then called on Mr. Neil Saranga, Deputy Director of Internal Audit, to present the Third Quarter 2025 Audit Plan. Mr. Saranga first updated the Audit Committee on the annual Business Continuity and Succession Plan reviews. Mr. Saranga reminded the Members that the annual review of Business Continuity and Succession Plans was part of the First and Second Quarter Internal Audit Plans. Since the last report to the Audit Committee, Mr. Saranga reported that the Corporation completed its annual review of Business Continuity and Succession Plans for the Corporation. All departments have reviewed, updated, and submitted their respective business continuity and succession plans.

Ms. Scott posed a question whether there were specific requirements to develop the Business Continuity and Succession Plan. Ms. Hom responded that while there aren't any specific requirements, they do utilize a standardized template for all departments to provide information on key functions and staff's responsibilities, as well as to self-report on the risk of staff leaving the department. Mr. Gould posed a question whether the E&Y team reviews the plans. Ms. Danielle Hurlburt, Ernst & Young ("E&Y"), responded that while they don't specifically review the Business Continuity and Succession Plans, they review the other reports and materials that are prepared by Ms. Hom's Credit Risk and Internal Audit teams. Ms. Hom noted that the Business Continuity and Succession Plan is updated annually.

Mr. Saranga continued with the proposed Internal Audit plan for the Third Quarter of 2025 which includes one assurance audit, one agile audit, 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 Third Quarter 2025 Internal Audit Plan. Mr. Gould called for a motion, and the Third Quarter 2025 Internal Audit Plan was approved.

Mr. Gould again turned to Ms. Hom to present 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 September 24, 2024. There were no changes to the Audit Committee Charter. Hearing no questions, Ms. Hom requested that the Audit

Committee Members approve the Audit Committee Charter. Mr. Gould called for the motion, and the HDC Audit Committee Charter was approved.

At 11:22 a.m., with no further business, the meeting was adjourned.

Respectfully submitted,

Austin Chin

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June 3rd, 2025

ATTENDANCE LIST (HYBRID (LIVE/VIRTUAL) MEETING)

<u>NAME</u>	<u>AFFILIATION</u>
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.
Eric Enderlin	NYC Housing Development Corp.
Lisa Geary	NYC Housing Development Corp.
Mary Hom	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.
Carol Micalizzi	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.
Moirra Skeados	NYC Housing Development Corp.
Bobby Toth	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.