

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Management Committee
February 8, 2021

The Management Committee of the Rhode Island Housing and Mortgage Finance Corporation (the “Corporation” or “RIHousing”) Board of Commissioners was held on Monday, February 8, 2021 at 3:00 p.m. The meeting was held via telephone conference call pursuant to Executive Order 20-46 (extended by Executive Order 21-10, and as may be further amended or extended).

Carol Ventura, Executive Director, introduced Carl Rotella, Director of Information Technology, who outlined the parameters of the meeting.

Mr. Rotella stated that (i) the meeting would be recorded and available for review on the RIHousing website within 3-5 business days after the meeting and (ii) except for the Board of Commissioners and specific RIHousing staff, all callers will be muted during the meeting. Mr. Rotella announced that if during the meeting anyone had technical difficulties with audio or accessing the call, they should call (401) 457-1240.

Nicole Clement, General Counsel, then provided additional guidance for the meeting. Ms. Clement stated that (i) pursuant to Executive Order 20-46 (as extended by Executive Order 21-10 as may be further amended or extended) the meeting was being held via teleconference; (ii) members of the public could visit the RIHousing website to view the agenda and information on the actions being taken and (iii) in the event the teleconference was interrupted, staff would stop the meeting until audio was restored.

Next, Ms. Clement stated that Vice Chairman and Committee Chairman Smiley would preside over the meeting and requested that any Commissioner or staff to state their name prior to speaking and to mute the phone when not speaking. She then invited Committee Chairman Smiley to call the meeting to order.

A quorum being present, Committee Chairman Smiley introduced himself and officially called the meeting to order at approximately 3:06 p.m. Committee Chairman Smiley then invited Ms. Ventura to proceed with the roll call of Commissioners and RIHousing staff (in attendance).

Ms. Ventura conducted a roll call of Commissioners and staff participating in the meeting. Commissioners participating via conference call were: Brett Smiley, Director of the Department of Administration; LeeAnn Byrne, Designee for General Treasurer Seth Magaziner; and Stephen McAllister. Chairman Nicolas P. Retsinas was absent.

RIHousing staff participating were: Carol Ventura, Executive Director; James Comer, Deputy Executive Director; Lisa Primiano, Chief Operating Officer; Kara Lachapelle, Chief Financial Officer; Christine Hunsinger, Assistant Deputy Director External Affairs, Policy & Research; Leslie McKnight, Deputy Assistant Director of Loan Servicing; Bernadette MacArthur, Director of Finance; Deborah Mancini, Senior Manager Quality Control; Nicole Clement, General Counsel; and Carl Rotella, Director of Information Technology.

Members of the public were also present.

The following matters were discussed by the Committee.

1. Approval of Minutes of the Management Committee Meeting Held on November 16, 2020

Committee Chairman Smiley asked for a motion and a second for the approval of the Management Committee minutes held on November 16, 2020. A motion was duly made by Commissioner McAllister and seconded by Vice Chairman Smiley. There being no discussion, Nicole Clement, General Counsel, conducted a roll call vote of the Commissioners. The Commissioners voted as follows:

Vice Chairman Smiley	Aye
Commissioner McAllister	Aye
Commissioner Designee Byrne	Abstained

Ms. Clement then stated that the following was adopted with two (2) votes in favor, one (1) abstention and zero (0) nay votes. Commissioner Designee Byrne abstained from the vote.

VOTED: That the minutes of the Management Committee Meeting held on November 16, 2020 hereby are approved.

2. Recommendation for Approval of External Charitable Donations and Contributions

Committee Chairman Smiley introduced Carol Ventura, Executive Director, who made this presentation.

Ms. Ventura stated that the request is for approval and ratification of external Charitable Donations and Contributions of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) pursuant to the Quasi-Public Corporations Accountability and Transparency Act, Chapter 155 of Title 42 of the Rhode Island General Laws (the “Act”).

RIHousing’s support of the work of the organization(s) listed on Attachment A, which attachment is included as part of the February 8, 2021 Management Committee package, furthers the corporate purposes of encouraging and stimulating the development of housing to alleviate the shortage of safe and sanitary residential housing for low- and moderate-income persons as set forth in R.I.G.L. §42-55-2(a). The Greater Providence Chamber of Commerce (“GPCC”) is a business advocacy organization formed to ensure that businesses in the greater Providence area continue to expand and thrive. GPCC collaborates with many of RIHousing partners to foster business opportunities that create jobs, grow investment and improve the economic prosperity of the region. The RI Legislative Leadership Forum 2021 provides RIHousing staff with an opportunity to virtually connect with business, House and Senate leaders to discuss the many critical issues facing the business community. The work of the Greater Providence Chamber of Commerce furthers and supports the mission of RIHousing.

Following the presentation, Committee Chairman Smiley asked for a motion and a second to recommend to the Board of Commissioners the Recommendation for Approval of External Charitable Donations and Contributions.

A motion was made by Commissioner McAllister and seconded by Commissioner Designee Byrne.

Committee Chairman Smiley then asked if anyone had any questions. No questions were presented.

Nicole Clement, General Counsel, next conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Vice Chairman Smiley	Aye
Commissioner McAllister	Aye
Commissioner Designee Byrne	Aye

Ms. Clement then stated that the recommendation for Approval of External Charitable Donations and Contributions was unanimously approved.

3. Recommendation for Approval of Engagement of Insurance Tracking Services Firm

Committee Chairman Smiley acknowledged Leslie McKnight, Deputy Assistant Director of Loan Servicing, who presented this recommendation.

Ms. McKnight stated that this request is for approval to engage a firm to provide insurance tracking services for Rhode Island Housing and Mortgage Finance Corporation's ("RIHousing") Loan Servicing Division.

RIHousing maintains a servicing and subservicing portfolio of approximately 11,998 properties located throughout the State of Rhode Island and approximately 6,878 properties in the State of Maine. Currently, the hazard and flood insurance policies for these properties are received by the Loan Servicing Division in paper format and are manually reviewed and paid by staff.

To improve our customer experience and increase efficiencies within the Loan Servicing Division, in October 2020, RIHousing issued a Request for Proposals ("RFP") through which it sought proposals from qualified firms to assist it with streamlining its insurance tracking functions. The RFP was posted on RIHousing's website and the website maintained by the State of Rhode Island Department of Administration's Division of Purchases.

Four firms submitted proposals in response to the RFP. A selection committee comprised of the Assistant Deputy Director of Loan Servicing, the Assistant Director of Loan Servicing, the Escrow Team Supervisor, the Operations Specialist of Loan Servicing, and the Senior Manager of RIHousing's Quality Control department reviewed the proposals and evaluated them in accordance with criteria outlined in the RFP. The committee assigned Allied Solutions Insurance Services, LLC ("Allied Solutions") a score of 85 out of a possible 100.

Allied Solutions provides insurance tracking services to approximately 4,000 mortgage clients nationwide. The committee was impressed by Allied Solutions' processes, web interface capabilities, and pricing plan. Further, the committee believes that Allied Solutions will be able to provide our customers with as seamless a transition as possible.

Following the presentation Committee Chairman Smiley asked for a motion and a second to recommend to the Board of Commissioners the Recommendation for Approval of Engagement of Insurance Tracking Services Firm.

A motion was made by Commissioner McAllister and seconded by Commissioner Designee Byrne.

Commissioner Designee Byrne asked Ms. McKnight what the pricing would be for the tracking service. Ms. McKnight explained that the pricing schedule is based on the number of loans originated. Staff expects the total for the year to be approximately \$75,000.

There being no further questions, Nicole Clement, General Counsel, conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Vice Chairman Smiley	Aye
Commissioner McAllister	Aye
Commissioner Designee Byrne	Aye

Ms. Clement announced that the recommendation for Approval of Engagement of Insurance Tracking Services Firm was unanimously approved.

4. Recommendation for Approval of Quality Control Software License

Committee Chairman Smiley introduced Deborah Mancini, Senior Manager Quality Control, who presented this request.

Ms. Mancini began by stating that this request seeks authorization for Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) to enter into a multi-year license of quality control software.

To comply with investor and insurer requirements, RIHousing performs quality control audits of the single-family loans in its servicing and subservicing loan portfolios. These services are currently performed by a third-party vendor.

In an effort to increase efficiencies in its processes, in December 2020, RIHousing issued a Request for Proposal (“RFP”) seeking responses from qualified vendors to provide it with the aforementioned services. The RFP was posted on RIHousing’s website and the website maintained by the State of Rhode Island Department of Administration, Division of Purchases. Two (2) vendors submitted proposals in response to the RFP.

A selection committee comprised of the Assistant Directors of Loan Servicing, the Senior Manager of the Quality Control department, and the Quality Control Manager reviewed and evaluated the written proposals in accordance with the criteria set forth in the RFP. The committee assigned TENA Companies, Inc.’s (“TENA”) proposal a weighted average score of 8.3 out of 10.

TENA's SecondLook Audit Software includes test scripts that meet the requirements of FHA, VA, USDA-RD, Fannie Mae, Freddie Mac, and state and federal regulatory bodies. TENA updates its test scripts regularly to ensure that content reflects current regulatory requirements, and also maintains a resource center with representatives who are available to handle client inquiries.

Additionally, because of the effort needed to onboard new software and train RIHousing's quality control staff, RIHousing seeks to enter into a three (3) year license with TENA, with an option to renew for an additional two (2) year term.

Following the presentation, Committee Chairman Smiley asked for a motion and a second to recommend to the Board of Commissioners the Recommendation for Approval of Quality Control Software License.

A motion was made by Commissioner McAllister and seconded by Commissioner Designee Byrne.

Commissioner McAllister referenced the number of firms that bid on the contract and wanted to know if there are a lot of other firms that could perform the required service. Ms. Mancini responded that this recommendation is strictly for the procurement of software and different than the day to day reporting. It's a specialized technology that is essential for reporting purposes.

There being no further questions, Nicole Clement, General Counsel, conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Vice Chairman Smiley	Aye
Commissioner McAllister	Aye
Commissioner Designee Byrne	Aye

Ms. Clement announced that the recommendation for the Approval of the Quality Control Software License was unanimously approved.

5. Recommendation for Authority to Issue Homeownership Opportunity Bonds - \$250,000,000

Committee Chairman Smiley noted that Bernadette MacArthur, Director of Finance, would present this request.

Ms. MacArthur announced that staff continuously monitors single-family loan origination activity; prepayment speeds of existing mortgages; refunding, recycling and optional redemption opportunities for existing bond offerings; bond market tone; short and long interest rates and available tax-exempt volume cap. All of these activities have the objective of maximizing our lending flexibility and minimizing our net interest costs in order to provide mortgages to low- and moderate-income homebuyers.

The single-family bonding program provides funding for first time homebuyers and is a sustainable source for funding borrower assistance loans, which are used for down payment and closing costs, a key feature for Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) borrowers. At the same time, the program strengthens the future financial sustainability of the corporation by increasing the balance sheet and creating a reliable future annuity stream.

RIHousing’s last single-family bond issue was executed in October 2020 with proceeds expected to be utilized by the end of February 2021. Based on the current pipeline of registrations and production estimates, staff anticipates issuing approximately \$250 million of single-family bonds to fund new first-time homebuyer mortgages and/or refund existing bonds to lower interest costs over the next 12-18 months.

The resolution authorizes the issuance of up to \$250 million of bonds under various series and tax plan components depending on market conditions and fund delivery requirements. This authority expires September 30, 2022.

Staff recommends the issuance of up to \$250 million of bonds to fund the Homeownership Opportunity Bond Program

After the presentation, Committee Chairman Smiley asked for a motion and a second to recommend to the Board of Commissioners the Recommendation for Authority to Issue Homeownership Opportunity Bonds - \$250,000,000.

A motion was duly made by Commissioner McAllister and seconded by Commissioner Designee Byrne.

Committee Chairman Smiley then asked if anyone had any questions. No questions were presented.

There being no discussion, Nicole Clement, General Counsel, conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Vice Chairman Smiley	Aye
Commissioner McAllister	Aye
Commissioner Designee Byrne	Aye

Ms. Clement announced that the recommendation for Recommendation for Authority to Issue Homeownership Opportunity Bonds - \$250,000,000 was unanimously approved.

6. Discussion:

a. Review of Sustainable and Social Impact Bonds

Committee Chairman Smiley introduced Kara Lachapelle, Chief Financial Officer, who provided an assessment of Sustainable and Social Impact Bonds.

Ms. Lachapelle shared that during the past year staff has started to designate the Corporation’s bonds as social or sustainability bonds. As this is a new process, Ms. Lachapelle wanted to provide

the Committee with background information on the market and how RIHousing fits into that bracket.

Ms. Lachapelle then explained that the market for ESG investing (environmental, social, governance) has grown greatly in the past few years. One of the major investors, Blackrock's CEO, recently reported that investment in sustainable assets for 2020 was at a level of \$300B; which is a 96% increase in just one year.

While the market is still evolving some regulators have stepped up to create guidelines and standards. The International Capital Market Association has created guidelines for social, green, and sustainability bonds that promote integrity in the bond market through transparency, disclosure and reporting. They've also mapped those guidelines to the United Nations Sustainable Development Goals. Finance diligently reviewed these guidelines and determined that RIHousing's mortgage programs were a natural fit for the designations.

Next, Ms. Lachapelle explained the diverse types of bond designations, such as social bonds, green bonds and sustainability bonds. The bonds designated as social bonds directly aim to address or mitigate a specific social issue or achieve positive social outcomes particularly for target populations. Ms. Lachapelle affirmed that this is the designation that the Corporation employs for its Homeownership Opportunity bonds. The principles include providing access to essential and financial services, which RIHousing achieves through its first-time homebuyer mortgages and the down payment assistance (DPA) loans; along with economic advancement of which homeownership is probably the greatest wealth generator for RIHousing's customers.

Green bonds contribute to environmental objectives such as climate change mitigation, conserving natural resources, and preventing pollution.

Sustainability bonds possess aspects of both social bonds and green bonds. Ms. Lachapelle clarified that this designation is utilized for the Multi-Family Development bonds the Corporation issues. Many of RIHousing's developments are already incorporating environmental features into their buildings including high efficiency boilers, energy star appliances, and irrigation systems for storm water runoff. Therefore, they are all meeting the low- to moderate-income target population.

Ms. Lachapelle then informed the Committee that there are reporting and disclosure requirements for these designations. Staff presently reports on the area median income (AMI) of customers to show the target population, along with disclosing information on the DPA programs, homebuyer education and foreclosure prevention programs. Regarding the multi-family bond reporting, staff reports on the environmental upgrades being done at each development as well as the AMI of the tenants. This is information RIHousing already captures and reports annually until the bonds are fully disbursed.

Finally, Ms. Lachapelle cited the benefits of designating the bonds as social or sustainable. The major benefit is the increase in investor interest in the bonds. RIHousing's most recent bond issues have been oversubscribed allowing the Corporation to reduce its borrowing costs. Those savings have allowed staff to pass them along to the customers by lowering the mortgage rates or helping to fund new and existing housing programs.

As this is an evolving market, presently and with the assistance of bond counsel, RIHousing is self-designating for the bonds. However, Ms. Lachapelle said that eventually third-party verifications will be required for the designations.

Ms. Lachapelle then welcomed questions from the Committee.

Committee Chairman Smiley asked if other HFAs are paying for third-party designations or if they are self-designating. Ms. Lachapelle responded that presently, there are seven (7) or eight (8) HFAs actively issuing these bonds but only one (1) is utilizing a third-party designation. The other HFAs are self-designating.

Committee Chairman Smiley wondered if it's advantageous for the Corporation to utilize these designations or if it's placing a burden on staff. Ms. Lachapelle confirmed that with the single-family bonds, staff can lower the borrowing costs by five (5) basis points realizing a cost savings of \$200,000. Even if RIHousing decides to engage a third-party vendor for the designations, the savings are worth the expense.

Committee Chairman Smiley thanked Ms. Lachapelle for the informative presentation. He also expressed his appreciation to Ms. Ventura and Christine Hunsinger, Assistant Deputy Director of Policy and Research for their presentation during the Senate Finance Committee hearing held the previous week. Committee Chairman Smiley commented that Ms. Ventura and Ms. Hunsinger did a great job and said he is grateful for staff's hard work in gathering the information and data for the hearing.

There were no votes taken regarding this item.

There being no further business to discuss, Committee Chairman Smiley asked for a motion to adjourn the meeting. A motion was duly made by Commissioner McAllister and seconded by Commissioner Designee Byrne to adjourn the meeting.

Ms. Clement then conducted a roll call vote of the Commissioners in response to a vote for adjournment. The Commissioners voted as follows:

Vice Chairman Smiley	Aye
Commissioner McAllister	Aye
Commissioner Designee Byrne	Aye

Ms. Clement announced that the motion to adjourn was unanimously approved. The meeting was adjourned at 3:31 pm.

Respectfully submitted,

Carol Ventura, Secretary and Executive Director