

**Request for Action
By Board of Commissioners**

Authorization to Increase Lines of Credit

1. Summary of Action

Rhode Island Housing and Mortgage Finance Corporation (“RIHousing” or the “Corporation”) funds its mortgage lending activity primarily through the issuance of bonds and sales of mortgage pools in the To-be-Announced (TBA) market. The timing and sizing of each transaction is planned in such a way to make the most efficient use of funds and to minimize the interest expense related to the bonds while loans are being assembled. Lines of credit assist in this process by allowing a larger loan warehouse position, especially during times of high loan origination or tight bond markets. Such an arrangement is common in the mortgage banking industry.

In addition to our single-family homeownership production, our lines of credit are utilized to fund multifamily loan transactions prior to issuing bonds. Multifamily loans often take longer to close because of their complexity, and therefore compiling several transactions and coordinating the timing of bond issuance is critical.

Due to disruptions in financial markets as a result of the COVID-19 pandemic, our ability to issue bonds has become inefficient. Investors have moved to more liquid positions as they wait for the U.S. economy to normalize. We are starting to see some slow improvement based on intervention by the federal government with financial assistance packages, including purchases of municipal bonds, in an attempt to stabilize markets.

RIHousing currently utilizes lines of credit through four (4) separate financial institutions providing a total of \$110,000,000 in available liquidity, as outlined below. All four (4) lines of credit are used to manage our cash flow and loan warehousing needs. We currently have \$20,000,000 available for use on those lines. Based on the disruptions in the bond market and an expected decrease in monthly mortgage collections due to high unemployment we anticipate an increased liquidity need.

Financial Institution	Date Established	Maximum Borrowing Amount
Citizens Bank, N.A.	March, 2006	\$25,000,000
Bank of America, N.A.	July, 2006	\$50,000,000
JP Morgan Chase Bank, N.A.	December, 2009	\$20,000,000
The Washington Trust Company of Westerly	May, 2017	\$15,000,000
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		\$110,000,000

2. **Recommendation**

Staff recommends that the Board of Commissioners authorize the increase of RIHousing's available line or lines of credit with one or more of its existing lenders, and that any line of credit increase shall not cause RIHousing's maximum borrowing amount to exceed \$150,000,000.

3. **Attachment**

A. Resolution

Attachment A

Resolution of the Board of Commissioners of Rhode Island Housing Mortgage and Finance Corporation

- Whereas,** Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) is authorized to borrow money and issue bonds and notes or other evidences of indebtedness, and to do any and all things necessary or convenient to carrying out its purposes;
- Whereas,** due to disruptions in financial markets as a result of the COVID-19 pandemic, RIHousing’s ability to issue bonds has become inefficient;
- Whereas,** RIHousing currently utilizes lines of credit through four (4) separate financial institutions providing a total of \$110,000,000 in available liquidity, which is used to manage its cash flow and loan warehousing needs;
- Whereas,** based on the disruptions in the bond market and an expected decrease in monthly mortgage collections due to high unemployment, RIHousing anticipates an increased liquidity need; and
- Whereas,** staff recommends that the RIHousing Board of Commissioners authorize the increase of its available line or lines of credit with one or more of its existing lenders as an additional tool for cash flow needs.

NOW, THEREFORE, IT IS HEREBY:

- Resolved,** that RIHousing be, and hereby is authorized to increase its available line or lines of credit with one or more of its existing line of credit lenders: (i) Citizens Bank, N.A., (ii) Bank of America, N.A., (iii) JP Morgan Chase Bank, N.A. and/or (iv) The Washington Trust Company of Westerly (each, a “Bank”), and that any line of credit increase shall not cause RIHousing’s maximum borrowing amount to exceed \$150,000,000;
- Resolved,** that the Executive Director, Deputy Executive Director or the Chief Financial Officer (each, an “Authorized Officer”), acting singly, be and each hereby is authorized to enter into such documents with any Bank as that Bank may require to evidence the line of credit limit increase, including, without limitation, a note and loan agreement or any amendments thereto, each containing such terms and conditions as the Authorized Officer shall approve, each such determination to be conclusively evidenced by his/her execution thereof and each such determination is hereby fully and completely approved and adopted as the

valid action of and by RIHousing, approved in all respects by the Board of Commissioners; and

Resolved, that the Authorized Officers be, and each of them hereby is, authorized, empowered and directed to take any and all action necessary to effectuate the purpose and intent of the foregoing resolutions, including, without limitation, (i) the execution and delivery on behalf of RIHousing of all such other agreements, documents and instruments and the performance by RIHousing thereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, and (ii) the consummation of the transactions contemplated hereby and the performance by RIHousing as required hereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, each such determination pursuant to the immediately preceding clauses (i) and (ii) to be conclusively evidenced by the taking of any such action by any Authorized Officer and each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners.