



Massachusetts Housing Finance Agency
One Beacon Street, Boston, MA 02108

TEL: 617.854.1000

FAX: 617.854.1091

www.masshousing.com

Videophone: 857.366.4157 or Relay: 711

Investment and Audit Committee Meeting Minutes

Meeting Date and Time: December 8, 2020 at 1:00 p.m.

Meeting Location: In accordance with the Order Suspending Certain Provisions of the Open Meeting Law, GL.c.30A Section 20 issued by Governor Baker on March 12, 2020, no Members were physically present and the meeting was conducted remotely through a publicly accessible Zoom meeting.

Members Present: Michael Dirrane
Mark Attia (designee)
Ping Yin Chai

MassHousing Staff Present: Charles Karimbakas
Colin McNiece
Stephen Vickery
Paul Scola
Belmira Fallon
Nancy Slaney
Cynthia Fernandes
Qihong Li
Diane Cardinale
Laurie Bennett

PricewaterhouseCoopers (PwC)

Staff Present: Paul Hanley
Erin Foley
Charles Cornish

The meeting began at 1:01 p.m.

After Mr. Dirrane called the meeting to order, the committee members unanimously approved, by roll call, the minutes of the September 8, 2020 meeting.

Following such approval, Ms. Fernandes reviewed the Investment & Audit Committee Report for the first quarter of 2021. Ms. Fernandes reviewed the progress of the FY2021 Audit Plan and confirmed that there were no instances of fraud reported through the hotline. Ms. Fernandes noted that the Audit Plan will likely be adjusted to ensure there are no overlaps in assurance activities and then reviewed the various assurance activities occurring and anticipated in the Agency during fiscal year 2021. Ms. Fernandes highlighted the completed engagements and discussed the details of the findings that were identified. In response to a question from Mr. Chai regarding whether the Agency performs a quality control review of 10% of loans and uses a third party, Ms. Fernandes confirmed that the Agency

performs pre-purchase and post-purchase reviews that are performed by third parties. Moreover, the Agency's Quality Control (QC) department also performs further reviews of the pre- and post-purchase reviews performed by the third parties and Internal Audit performs an independent review of the QC department annually. She further emphasized that the findings identified in the Fannie Mae Mortgage Origination Risk Assessment (MORA) were around the Agency's reporting as opposed to the quality of the reviews being performed. Ms. Fernandes concluded by informing the Committee of Ms. Cardinale's upcoming retirement and thanking Ms. Cardinale for her years of service at MassHousing. Mr. Attia commented that the visual depiction of the assurance work occurring in the Agency, and the respective findings, was helpful and informative. Mr. Dirrane also expressed his appreciation for Ms. Cardinale's work over the years.

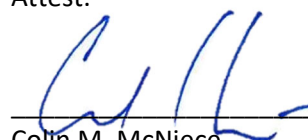
With no further comments, Mr. Hanley then presented the status of the fiscal year 2020 financial statement audit, noting that the audit was completed, and reports were issued on September 25, 2020. Mr. Hanley thanked the Financial Reporting team and noted the challenges of completing the engagement in a remote work environment. Mr. Hanley highlighted that there were no significant changes to the audit plan and discussed the findings identified during the engagement. Mr. Cornish reviewed the adjustments that were made to the Financial Statement, which management agreed and recorded. Mr. Hanley added that the adjustment was due to a technical clarification. Mr. Chai inquired regarding the adjustment amount, and Mr. Karimbakas clarified that the Agency received \$92 million in grant funds that were reported in revenue and will be spent over the next several years. Mr. Chai also asked about the discount rate used to calculate the Agency's pension obligation, and Mr. Karimbakas explained that the Agency is using 7.25% that has been historically lowered every two years, when an actuarial valuation is performed. Mr. Attia commented that the state has a similar practice and that the discount rate utilized by the state was similar. Ms. Foley reviewed the issues identified that lead to a material weakness in the Ginnie Mae Audit. There were no questions on the findings identified.

Mr. Dirrane inquired whether PwC performed any additional procedures as a result of the COVID-19 pandemic. Mr. Hanley responded that while PwC's procedures were substantially the same, PwC held discussions around forbearance activities, reviewed the aging of loans, and looked at the Mortgage Insurance Fund's claims. Mr. Cornish added that PwC extended their testing on the Agency's loan loss reserve. In response to a question from Mr. Chai on the loan loss reserve, Mr. Cornish noted that real estate in Massachusetts remained strong despite the COVID-19 pandemic. Mr. Vickery added that the Agency performed a CAP risk analysis and considered the impact of the pandemic; a conservative approach was taken. Mr. Hanley concluded by reviewing PwC required communications and Mr. Karimbakas noted that the Committee would have the opportunity to meet with PwC without the presence of Agency staff. There were no further questions, and the members then voted to adjourn.

MassHousing staff left the video conference at approximately 1:38 p.m. so that the Committee could speak independently with PwC, after which the meeting adjourned at approximately 1:50 p.m.

A true record.

Attest.



Collin M. McNiece
Secretary

Meeting Materials:

- Minutes of the September 8, 2020 Meeting
- Investment and Audit Committee Quarterly Internal Audit Report (Q1 2021)
- PwC Report to the Investment and Audit Committee, FY2020 Audit Results