

Mortgage Insurance Fund (MIF) Committee
Meeting Minutes – May 14, 2024

The regular meeting of the Mortgage Insurance Fund Committee of the Massachusetts Housing Finance Agency – doing business as MassHousing – was held on May 14, 2024. In accordance with Section 20 of An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency, 2021 Mass. Acts 20, as amended, no Members were physically present, and the meeting was conducted remotely through a publicly accessible Zoom meeting.

Participating remotely were the following members of the MIF Committee, by roll call:

Patricia McArdle
Peter Milewski
Mounzer Aylouche
Paul Hagerty

Members absent:

Rachel Madden

The meeting began at 1:00 p.m.

The Members first took up the approval of the minutes of the previous meeting. Upon a motion duly made and seconded, by roll call vote of those members present (Peter Milewski joined later), it was:

VOTED: That the minutes of the meeting held on November 14, 2023, are hereby approved and placed on record.

(Peter Milewski joined the meeting)

Tom Norton presented an update of MIF production for 1Q24. He stated that there were 232 MI applications, 5 of which were MI only. MI activations were at 223 for a balance of approximately \$75 million and there were 235 cancelled loans at a loss of approximately \$49M. Insured loans had a loan count of 10,218 at the end of the quarter for approximately \$2.5M. Mr. Norton reasoned that the high interest rates continue to adversely impact MI production.

Loan characteristics remain strong with FICO at 737, 40.6% DTI, 92.9% LTV and a CLTV of 98.5%. Gateway City loans were 54.3% and loans to minority households remained high at 49.3%. Delinquencies are down by 2 loans and 4 basis points over last year.

There were 2 MI claims in the quarter for \$72K and 60 benefits to 18 borrowers for \$84K. Mr. Norton noted that MI Plus is trending upward is approximately two times over last year.

Jeanne Pinado asked Mr. Norton to elaborate on the MI Plus benefit. Mr. Norton explained that MI Plus is an unemployment benefit offered through MassHousing's mortgage insurance that will make mortgage payments for up to 6 months in the event of a job loss. Mr. Vickery noted that the benefit precludes many going to claim. Mr. Norton noted that the private industry does not offer this because they view it as a short-term expense but that the Agency views as a long-term loss mitigator that has proven successful. Mr. Milewski added that private insurers are often regulated as monoline such that a private insurer trying to offer this benefit would have to outsource it to a third-party unemployment insurer and the dynamics between those industries are challenging.

Qi Hong Li then presented the financial results for 1Q24, noting that operating income and premium income are down over last year's corresponding period and investment income is up. On a cash basis, the Fund balance is \$146.8 million.

With respect to PMIERS requirements, the Funds total available assets (cash, bonds, receivables from investments, uncollected premiums) on 3-31-2024 was \$134.8M, our minimum required asset is \$50M and our calculated required asset amount is \$13.4M. The percentage of total available assets to calculated required assets is 1,003%.

Ms. Pinado asked what it means to have such a large ratio. Ms. Li noted that the Fund is in a very strong position and has significant capacity to issue more loan without additional capital. Mr. Vickery noted that it's indicative of a safety net in event of an inability to renew with reinsurers. Mr. Milewski described the PMIERS history as it evolved in the private mortgage industry and came to be applied to MIF.

Patricia McArdle asked if the increase in interest rates and subsequent higher housing burden might result in greater delinquencies. Mr. Norton noted that we have a 2.3% default rate and a generally see 3% in a good economy so not expecting any significant effect in the near term and also noted that all of the loan insured are fixed rate. Mr. Milewski commented that rising interest rates can also be advantageous to the Funds investment earnings.

Mr. Norton then presented on update on the Fund reinsurance status. He presented the general terms of the new reinsurance contracts with four providers and noted that the reinsurance program allows MIF to preserve and leverage capital, generates non-risk based fee income, and mitigates claim risk.

There being no other old or new business, the meeting was adjourned.

The meeting concluded at approximately 1:46 pm

A true record.

Attest.

A handwritten signature in blue ink, appearing to read 'C. McNiece', is written over a solid black horizontal line.

Colin M. McNiece
Secretary