

Mortgage Insurance Fund (MIF) Committee
Meeting Minutes – November 14, 2023

The regular meeting of the Mortgage Insurance Fund Committee of the Massachusetts Housing Finance Agency – doing business as MassHousing – was held on November 14, 2023. 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:

Peter Milewski
Rachel Madden
Mounzer Aylouche
Paul Hagerty
Patricia McArdle

Members absent:

None

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, it was:

VOTED: That the minutes of the meeting held on September 12, 2023, are hereby approved and placed on record.

Tom Norton presented a summary of MIF production for 1QFY24. He stated that overall loan production was down significantly this quarter, but MI application was up with 275 MI applications (2 through MI Only and 273 through MassHousing first mortgage loans). MI Only production was 4 loans for \$1.7M. MI activation decreased to 94 and there were 188 cancelled loans at a loss of approximately \$42M. Insured loans had a loan count of 10,154 at the end of fiscal year 2023 for \$2.5M. Mr. Norton reasoned that the absence of the MassDREAMS program adversely impacted MI production and the rise in interest rate seems to have curbed cancellation.

Loan characteristics for 1QFY24 remains strong with FICO at 732, 41.7% DTI, 92.9% LTV and a CLTV of 98.3%. Gateway City loans were 47.5% and loans to minority household climbed to 49.6%.

In terms of delinquencies, there were 262 defaults and a 2.58% default rate on 9/30/23 compared to 353 defaults and a 3.88% default rate on 9/30/22. However, there's been a 12-loan increase and 10 basis points this quarter. Delinquency rate for minority, Gateway Cities +3, and 80.01 -100% AMI are slightly lower than our overall default rate. The less than 80% of AMI and the total for the less than 100% AMI have slightly higher delinquency rate (2.62%) than our overall default rate of 2.58%. There were 2 MI claims in the quarter for \$62K and 55 benefits to 21 borrowers for \$78K. Peter Milewski suggested that Mr. Norton break data down by lender to which Mr. Norton agreed adding that although no particular lender stood out, he would incorporate a more detailed analysis for next quarter report.

The ever-to-date MI PLUS Benefits paid out is \$6.6M to 1,422 borrowers. We have paid 195 MI claims on loans for borrowers receiving MI Plus. 86% of borrowers who received MI Plus were able to stay in their homes. Mr. Norton stressed the fact that MI Plus is essentially a proactive loss mitigation strategy to prevent a mortgage insurance claim and lower the overall expense in loss mitigation. He shared some statistics about MI Plus to include average mortgage amount of \$238,886; average mortgage insurance claim of \$57,176; average number of MI Plus payments per unemployed borrower of 5; and average MI Plus Claims, \$4,845.

Qi Hong Li presented the financial results of 1QFY24 and provided that on a cash basis, net operating income was \$1.23M for 1QFY24, operating income was up \$778K from 1QFY23, and premium income was up \$425K from 1QFY23. There was a decrease in administrative expenses which was down \$493K from 1QFY23 due to less IT expenses. Claims were up \$115K due to 2 MI claims paid and an increase in MIPlus payments. The Fund Balance on Cash Basis was \$143.3M and provision for losses is expected to increase by \$54K in 1QFY24 to \$1.47M due to the slight increase in delinquencies of 12 loans.

Unpaid Claim Estimate (UCE), an estimate of expected losses from current delinquencies, incurred but not reported (IBNR) losses and MI Plus, is data developed by Milliman on a quarterly basis and used for our provision for losses on our financial statements. There were fewer disclosures and more loans subject to reinsurance. A comparative analysis of unpaid claim estimates (UCEs), the estimate of expected losses from current delinquencies, incurred but not reported (IBNR) losses and MI Plus analysis shows a downward trend.

PMIERS Required Assets increased slightly with large percentage being single premium. Ms. Li added that PMIERS performed well. Our total available asset (cash, bonds, receivables from investments, uncollected premiums) on 9-30-23 was \$127.5M, our minimum required asset is \$50M and our calculated required asset amount is \$14.0M. The percentage of total available assets to calculated required assets is 912%.

Risk Based Pricing Loan Characteristics between Legacy versus Encompass from July 1, 2023 – September 30, 2023, show lower FICO, LTV and CLTV. However, an increase in single premium

mortgage insurance by 33% and monthly MI at 7% increase. Legacy has a MI certificate count of 1, 264 compared to Encompass with 2,143.

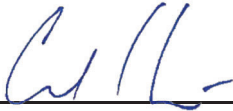
Mr. Norton concluded by providing a summary of Freddie Mac's Core Review Findings.

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

The meeting concluded at approximately 1:38 pm

A true record.

Attest.



Colin M. McNiece
Secretary