

Mortgage Insurance Fund (MIF)
Committee Meeting Minutes –
November 12, 2024

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:

Rachel Madden
Mounzer Aylouche
Paul Hagerty
Patricia McArdle

Members absent:

Peter Milewski

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 May 14, 2024, are hereby approved and placed on record.

Tom Norton provided an overview of MIF production for 1QFY25. He noted that there was a considerable increase in MI application this quarter with 465 counts compared to last quarter's 232 MI applications. There was only one MI application among the 465 total. MI activations were at 386, with a balance of roughly \$132 million, while 251 loans were cancelled, resulting in a loss of nearly \$56 million. At the end of the quarter, insured loans numbered 10,436 and totaled approximately \$2.67 million. Mr. Norton ascribed the higher MI activation to the second iteration of the MASSDREAMS program. He stated that the rise was noteworthy given the high interest rate, and that the cancellation rate, while high, was lower than those of the major MI companies.

Loan characteristics for 1QFY25 remains strong with FICO at 731, 41.7% DTI, 91.8% LTV and a CLTV of 99.3%. Mr. Norton shared that there was a slight increase in CLTV from the last quarter (98.5%) and attributed it to the Workforce Advantage (WFA) loan product, which requires a 2nd lien from a 0% deferred MassHousing down payment assistance (DPA) loan. Gateway City loans were 53.1% and loans to minority household climbed from 49.3% in the last quarter to 51.6%.

Qi Hong Li continued with the presentation starting with loan delinquencies and provided that there were 262 and a 2.58% delinquency rate on 9/30/23 compared to 281 delinquencies and a 2.69% delinquency rate on 9/30/24. Ms. Li also mentioned that the delinquency numbers on 9/30/24 are up 19 loans and 11 basis points from 9/30/23 and 37 loans and 32 basis points from 6/30/24 12-loan. On the topic of foreclosure, Ms. Li shared that the foreclosure numbers on 9/30/24 are up 27 loans and 25 basis points from 9/30/23 and 16 loans and 15 basis points from 6/30/24.

There was 1 MI claim in the quarter for approximately \$21K and 86 benefits to 31 borrowers for \$98K.

Ms. Li presented the financial results for 1QFY25, stating that net operating income on a cash basis is \$4.5 million, up \$3.2 million from 1QFY24. Ms. Li indicated that premium income increased by \$425K from 1QFY24, while investment income went up by \$2.7M. On a cash basis, the Fund balance is \$144.8 million, and the provision of losses increased \$66K, mostly due to a slight rise in delinquencies.

For the unpaid claim estimates (UCE), which represent the estimate of expected losses from current delinquencies, incurred but not reported (IBNR) losses, and MI Plus expected losses, the net MI UCE has increased due to 37 defaults. There is also an increase in the net MIPlus UCE due to 21 active MIPlus borrowers as of September 30th, up from 16 on June 30th.

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 9-30-24 was \$135.6M, our minimum required asset is \$50M and our calculated required asset amount is \$13.6M. The percentage of total available assets to calculated required assets is 994%.

Mr. Norton then delivered an update on the S&P Capital Adequacy Model, highlighting that premium risk has decreased from the previous quarter, although gross premium has increased. He reported that the net premium is lower due to a rise in reinsured loans, that a drop in capital requirements for non-insured loans has reduced reserve risk, and that capital charges have remained unchanged from the previous quarter.

Patricia McArdle inquired whether lower interest rates would result in more MI cancellations. Mr. Norton responded that it would, but the MI Fund is now performing effectively.

Mounzer Aylouche added that a borrower must be able to payoff both their first and second mortgage before refinancing. He then shared that MassHousing was in the midst of developing a portfolio retention program, which would allow the recasting of loans for MassHousing borrowers wishing to lower their interest rate.

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

The meeting concluded at approximately 1:24 pm

A true
record.

Attest.



Colin M. McNiece
Secretary