

**Minutes of the Regular Meeting  
of the Members of MassHousing  
held on  
June 14, 2022**

The regular meeting of the Massachusetts Housing Finance Agency – doing business as MassHousing - was held on June 14, 2022. In accordance with Section 20 of An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency, 2021 Mass. Acts 20, and Section 8 of An Act Making Appropriations for the Fiscal Year 2022 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects, 2022 Mass. Acts 22, no Members were physically present and the meetings were conducted remotely through a publicly accessible Zoom meeting.

Participating remotely were the Members (by roll call):

**Members**      Jeanne Pinado, Chair  
Ping Yin Chai, Vice Chair  
Michael Dirrane  
Carolina Avellaneda  
Patricia McArdle  
Thomas Flynn  
Jerald Feldman  
Jennifer Maddox, ex officio  
Mark Attia, Designee of Michael Heffernan, ex officio

**Members  
Not  
Participating**              None

**Staff**              *Due to the remote convening, a list of MassHousing staff participating or observing the meeting was not available*

**Guests**              *Due to the remote convening, a list of guests observing the meeting was not collected*

Chair Pinado convened the meeting to order at 2:00 p.m.

Chair Pinado then indicated that the first order of business was the approval of the minutes of the previous meeting. Upon a motion duly made and seconded, by roll call vote, it was, by all Members present:

**VOTED:**              That the minutes of the Regular Meeting held on May 10, 2022 are hereby approved and placed on record.

## **Executive Director's Report**

Chrystal Kornegay began her report by detailing MassHousing's focus on hiring new staff to support new programs we are implementing. We are also working with the Baker administration and DHCD to round out contracts for these new programs. There are also proposals pending before the legislature for \$200 million for the Workforce Housing program as well as \$50 million to administer a new equitable developers' financing program. Ms. Kornegay went on to say we are fortunate the Administration has such confidence in MassHousing and in the work we do. We will continue to work on updating our all of our programs.

Michael Dirrane asked if the upcoming new Administration will be obliged to continue these programs. Ms. Kornegay replied the ARPA legislation is on a clock and must be dispersed by a certain time. There is also the possibility we will get new money from the new Administration. We are on track to spend the \$65 million we received from the Administration for Down Payment Assistance (DPA), a responsibility we share with MHP. In addition, we have \$115 million for the Commonwealth Building Program to provide loans for homeownership for people living in communities of color. Because the ARPA funds come with many compliance requirements, those funds are more of a challenge to distribute.

Mr. Dirrane asked about a recent employee survey and whether the Board would see the results. Ms. Kornegay noted the survey was recently completed and was very pleased to report that 81 percent of MassHousing staff participated. The results from the survey are still being analyzed but a preliminary summary was presented to staff and will be shared with the Board. Mr. Dirrane asked that the full results of the survey be shared with the Board when the results become available. Chair Pinado also commented that this type of feedback is a gift.

Mark Attia added that with respect to whether these programs are one-time investments of money, the hope is that such programs are foundational for future growth.

## **Vote Approving the Fiscal Year 2023 Fiscal Plan**

Rachel Madden next presented the MassHousing Fiscal Year 2023 Fiscal plan.

FY22 year-end projection total income is \$6.5 million lower than budget. Multifamily below budget due to a prepayment the last week of June when a \$28 million project was paid off. Investment income higher due to better returns. Homeownership production was considerably lower (\$200 million) than budgeted. The FY23 Multifamily production goal remains consistent with FY22 and the FY23 Homeownership production goal reflects current market conditions. Mortgage rates are climbing which is driving production lower.

FY23 Homeownership income is \$874K lower than the FY22 budget. Premiums on loans sold is down \$2.7 million, bond program income is down \$1.2 million and servicing income is down \$400K. This is offset by lower expenses of \$3.4 million in servicing rights premiums and mortgage origination.

Homeownership engaged in a complete replacement of their computer system prior to the pandemic. Had we not made the investment at that time, we would not have been positioned to ride this out. Mounzer Aylouche added we cannot grow further by doing business the same way, we have to open up different channels with technology enabling the opportunities. We completely overhauled our system which was built 17 or 18 years ago. We now have a state-of-the-art system which will allow us to engage with mortgage bankers/investors. Mr. Aylouche went on to say we are introducing the broker channel at the right time and we will be in position to be ready to introduce products the market has not seen before. We will be able to offer borrowers a much better selection of products.

Mr. Dirrane asked what a broker's minimum net worth must be. Mr. Aylouche answered that we are leveraging licensed brokers regulated by the Division of Banks and mirroring their requirements. We will focus on offering a pilot program which will be introduced in July.

Ms. Madden continued by discussing homeownership market conditions. There has been a 71% increase in mortgage rates from July 1, 2021 to June 2, 2022. Home prices in Massachusetts were up 10.7% statewide. There has been an inventory shortage and a decrease in sales of 11.1%. Affordability is at a record low.

Mr. Dirrane asked if we are looking to raise safe harbor limits due to rising home prices. Mr. Aylouche replied we are reviewing acquisition cost limits for mortgage bond products.

Ms. Madden continued by reviewing the FY23 budget. MIF Production is down due to lower Homeownership volume and rising interest rates. Fee income is \$995K lower; investment income is \$182K higher. Net claims are lower by \$1.0M and Professional services expenses are lower by \$215K. Investment income is budgeted \$3.3M higher; servicing income is up \$1.0M and MF Subsidy and fee income is up \$1.4M. These income drivers are off set by premiums on loans sold, down \$1.7M and bond program spread, down \$2.2M. Payroll and related expenses are up \$2.2M which includes the merit pool and the 457 match. In addition, headcount increased to 335 which is 16 positions higher than FY22 to support new programs and succession planning. IT expenses are higher by \$2.0M due to major infrastructure investment, investment in cyber security, new Homeownership system and the Multifamily Loan-Lifecycle software. Also, operating costs increased by \$951M primarily for higher insurance and advertising costs.

Upon a motion duly made and seconded, by roll call vote, it was, by all Members present:

VOTED: To adopt the Proposed Fiscal Plan for Fiscal Year 2023, substantially in the form attached hereto, provided that the Executive Director may authorize the Agency to deviate from such plan during the course of said fiscal year to the extent she deems necessary or appropriate, provided, however, that any material deviations from such plan shall be reported to the Board on a periodic basis.

FY23 Fiscal Plan  
[attached]

## MEMORANDUM

**To:** Agency Members  
**Through:** Chrystal Kornegay  
**From:** Rachel Madden  
**Date:** June 14, 2022  
**Subject:** Proposed Fiscal Plan for Fiscal Year 2023

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### **I. History and Evolution of the Fiscal Plan**

Each year, MassHousing’s Members are asked to adopt a Fiscal Plan that establishes financial benchmarks for operating results. We develop the Fiscal Plan to better understand and manage the costs of doing business.

The Fiscal Plan is presented on a modified cash basis and may differ from the year-end Financial Statements due to required accounting treatments of deferrals, accruals, capital items, loan loss provisions, extraordinary items, restrictions, designations, mark-to-market and other non-cash adjustments. The Fiscal Plan includes each of our Business Lines including Homeownership (HO) operations, Multifamily (MF) operations, Mortgage Insurance Fund (MIF) operations, Mission activities (primarily within the Opportunity Fund), and Corporate Overhead.

The Fiscal Plan represents our best current estimates of business projections and financial forecasts. Since some of the major components of our business (e.g. interest rates and market conditions) are beyond our control, preparing this Fiscal Plan represents a significant, yet necessary, challenge.

The Fiscal Plan presented for your review and approval consists of the following items:

- Exhibit 1: Revenues and Expenses for the Massachusetts Housing Finance Agency and Affiliates
- Exhibit 2: Revenues and Expenses for the Massachusetts Housing Finance Agency and Affiliates by Business Lines
- Exhibit 3: Revenues and Expenses for the Massachusetts Housing Finance Agency and Affiliates - Income Streams
- Exhibit 4: Revenues and Expenses for the Massachusetts Housing Finance Agency and Affiliates – Sustainable Core
- Exhibit 5: Glossary of Terms

## II. Overview of the Fiscal Plan

### A. FY23 Budget Comparison to FY22 Projection and FY22 Budget

The proposed Budget for FY23 projects an operating budget excess of revenues over expenditures (“Net Income”) of \$15.2 million, or an \$800 thousand increase from the \$14.3 million approved budget for FY22. We are projecting \$31.3 million for FY22, which is a \$17.0 million increase over the FY22 Budget.

<b>Net Income</b> (in millions)	<b>FY23 Budget</b>	<b>FY22 Projection</b>	<b>FY22 Budget</b>
Net Income Before Grant Activity	\$ 33.1	\$ 35.8	\$ 35.0
Net Grant Activity	(17.9)	(4.5)	(20.7)
Net Income (Loss)	<u>\$ 15.2</u>	<u>\$ 31.3</u>	<u>\$ 14.3</u>

There are several factors that lead us to the proposed FY23 Budget of \$15.2 million:

<b>Production &amp; New Lending Income</b> (in millions)	<b>FY23 Budget</b>	<b>FY22 Projection</b>	<b>FY22 Budget</b>
HO Production	\$ 500.0	\$ 471.6	\$ 700.0
HO New Lending Income	3.4	1.7	4.8
MIF Production	\$ 437.3	\$ 433.0	\$ 603.0
MIF New Lending Income	4.5	5.9	5.5
MF Production	\$ 800.0	\$ 869.0	\$ 800.0
MF New Lending Income	18.3	16.4	17.9

HO income is down in the FY23 Budget, compared to the FY22 Budget, due to lower volume and lower expected premiums on loan sales. The FY22 Projection is lower than the FY22 Budget for the same reasons. The MF income for FY23 Budget is up over FY22 Budget due to higher fee income. Although FY22 projected volume is up, a number of transactions had lower or no financing fee associated with the deals as there were a number of Government National Mortgage Association (GNMA) refinancings which were package deals and a few where we only receive servicing fees as the deals were beyond prepayment lockout.

Total Servicing income is up in the FY23 Budget, compared to the FY22 Budget, due to growth in MF GNMA servicing fees, offset by lower HO servicing fees, which are down due to significant payoffs in that portfolio during FY22.

## Servicing Income, Spread and Investment Earnings

(in millions)

	<b>FY23</b>	<b>FY22</b>	<b>FY22</b>
	<b>Budget</b>	<b>Projection</b>	<b>Budget</b>
HO Servicing Income	\$ 9.4	\$ 10.1	\$ 9.8
MF Servicing Income	37.8	38.5	36.5
HO Spread	5.6	3.2	6.8
MF Spread	34.8	33.3	35.1
Investment Income	6.0	4.5	2.6
Grant Income	6.6	8.6	-
Other Income	0.6	0.6	0.2
Total	<u>\$ 100.8</u>	<u>\$ 98.8</u>	<u>\$ 91.0</u>

HO Spread is lower in the FY23 Budget, compared to the FY22 Budget, primarily due to significant payoffs in MBS investments and loans exceeding new purchases of those assets during FY22.

Investment Income is up in the FY23 Budget, compared to the FY22 Budget, due to increasing rates of return and expanded investing.

In the FY23 Budget, grant income of \$6.5 million was budgeted for the receipt of funds from the Massachusetts Neighborhood Stabilization Program. We did not anticipate any grant income in the FY22 Budget. In the FY22 Projection, we included \$6.5 million received this year for this program. We also received \$2.0 million from the Homeowner Assistance Fund (HAF), which is included in the Projection.

## Direct Expenses

(in millions)

	<b>FY23</b>	<b>FY22</b>	<b>FY22</b>
	<b>Budget</b>	<b>Projection</b>	<b>Budget</b>
Personnel	\$ (38.1)	\$ (35.6)	\$ (35.7)
Pension & OPEB	(2.4)	(2.3)	(2.8)
Other Payroll Added Costs	(6.5)	(6.0)	(6.3)
Professional Services	(6.7)	(6.5)	(6.7)
Information Technology	(11.2)	(8.9)	(9.2)
Leased Office Space	(5.3)	(5.0)	(5.2)
Operating Costs	(5.4)	(3.8)	(4.4)
Grant Expenditures	(24.5)	(13.1)	(20.7)
Insurance Claims	(0.5)	(0.2)	(1.6)
Total	<u>\$ (100.6)</u>	<u>\$ (81.4)</u>	<u>\$ (92.6)</u>

**Additional Factors:**

- Budgeted headcount for FY23 is 335 FTEs, versus 319 FTEs budgeted for FY22, to support new programs and initiatives and succession planning.
- Merit increase pool is budgeted at \$1.2M for FY23, versus \$1.0M, in the FY22 budget.
- 457 Match is budgeted at \$415K for FY23 and FY22.

In FY21, the Agency made a one-time payment of \$12.25 million to the Pension Fund, which was equal to the unfunded liability as noted on the most recent Pension Actuarial Valuation, dated 1/1/21. The payment was made to reduce the Agency’s annual required contribution significantly for at least the next two years. As a result, the Agency is only required to contribute the “normal costs” to the Pension during FY23 and FY22, which was \$1.1 million and \$1.0 million, respectively. This represents budgetary savings of close to \$9 million for FY23 and FY22. In addition, the returns on the OPEB Trust investments were also strong over the recent period, which is resulting in a reduction in the contribution amount from approximately \$3 million in FY21 to \$1.3 million in FY23 and FY22.

Information Technology costs have increased in the FY23 Budget, compared to the FY22 Budget. The FY23 Budget includes \$1.2 million for new initiatives, an additional \$300 thousand for the new front-end system for HO and \$300 thousand for the new loan lifecycle software and implementation for MF.

Operating costs have also increased in the FY23 Budget, compared to the FY22 Budget. The FY23 Budget includes additional costs for insurance. Advertising expenses have also increased which were down in the past due to scaling back of ad campaigns during the COVID-19 pandemic.

The FY23 Budget includes \$17.4 million for grant expenditures for the Commonwealth Builder Program, whereas the FY22 Budget had \$20 million for that program. We also budgeted \$6.5 million for grant expenditures for the Massachusetts Neighborhood Stabilization Program. For the FY22 Projection, the major items are \$9.2 million of grant expenditures from the Commonwealth Builder Program and \$2.0 million for the HAF program.

**Investment in Future Income**

(in millions)

	<b>FY23 Budget</b>	<b>FY22 Projection</b>	<b>FY22 Budget</b>
Servicing Rights Purchased	\$ (4.3)	\$ (3.9)	\$ (6.6)
Cost of Issuance	(6.9)	(6.1)	(5.7)
Total	<u>\$ (11.2)</u>	<u>\$ (10.0)</u>	<u>\$ (12.3)</u>



The Servicing Rights Purchased is down in the FY23 Budget, compared to the FY22, Budget due to lower HO volume expectations. The decrease in the FY22 Projection is due to the same reasons. Cost of Issuance is up in the FY23 Budget compared to the FY22 Budget to reflect current anticipated costs. The FY22 Projection is up over the FY22 Budget due to an additional offering.

## **B. Income Streams and Sustainable Core**

As noted above, Net Income is budgeted at \$15.2 million. Ongoing income from operations is budgeted at \$90.0 million, fees at \$22.1 million, and MIF income at \$4.4 million, which is partially offset by operating and administrative costs of \$74.2 million, investment in future income of \$11.2 million and Opportunity Fund and Grant expenditures (net) of \$15.9 million.

The bond programs are projected to generate \$20.8 million from bond-related activities, of which \$17.5 million is projected to be transferred to the WCF. The WCF, exclusive of MIF, the Opportunity Fund and Grant Activity, is projected to generate net income of \$5.9 million, for an aggregate positive of \$23.4 million, which results in a projected contribution to the Opportunity Fund of \$11.7 million.

## **C. Moving the Mission**

### **Housing and Community Initiatives**

The Fiscal Plan allocates substantial resources to several initiatives that advance the Agency's mission of expanding affordable housing resources and services in the Commonwealth. The Fiscal Plan commits:

- The continued funding of \$2.0 million for other Community Services' programs, including
  - \$1.1 million for summer youth programs, youth development and community engagement.
  - \$769K to continue the Tenancy Preservation Program (TPP), which has won awards from both the National Council of State Housing Agencies and The Ford Foundation.
- The Fiscal Plan also includes certain expenditures highlighted below. Please note that the Center for Community Recovery Innovations (CCRI) is being funded from the Federal Home Loan Bank grant, the Tenants Assistance Program (TAP) is paid for from fees collected from the participating developments, and Youth Residents Activities Program (Youth RAP) is covered by Financing Adjusting Factor (FAF) savings that are shared by the Agency and the U.S. Department of Housing and Urban Development (HUD).
  - \$700K for developing and preserving sober housing and services through CCRI
  - \$685K for various youth programs, including Youth RAP
  - \$570K for the TAP – supported by fees collected from development owners
- \$125K to the Mel King Institute
- \$50K to New Lease (homelessness initiative)

## **Administrator of Key Programs for the Commonwealth**

The Agency also serves as the Administrator for the Affordable Housing Trust Fund (AHTF) and the 40B program on behalf of the Commonwealth, which have costs not covered by fee income relative to those activities of \$292K for AHTF and \$412K for 40B.

## **Request for Adoption**

Staff recommends that the Members adopt the Fiscal Plan for FY23 as described herein and in the accompanying material and the following vote is recommended:

VOTED: To adopt the Proposed Fiscal Plan for Fiscal Year 2023, substantially in the form attached hereto, provided that the Executive Director may authorize the Agency to deviate from such plan during the course of said fiscal year to the extent she deems necessary or appropriate, provided, however, that any material deviations from such plan shall be reported to the Board on a periodic basis.

**Revenues and Expenses for the Massachusetts Housing Finance Agency and Affiliates  
Proposed Budget For FY 2023**

**Exhibit 1  
(in millions)**

	FY 2023 Budget Total	FY 2022 Budget Total	Budget to Budget \$ Change	Budget to Budget % Change
<b>REVENUES</b>				
<b>New Lending</b>				
Transaction & Underwriting Fees	\$ 18,623	\$ 20,661	\$ (2,038)	-9.9%
Premiums on Loans Sold	4,543	6,275	(1,732)	-27.6%
Warehousing/Construction Notes, net	1,329	974	355	36.4%
Fees - Other (AHTF, ARPA, Other)	1,650	300	1,350	450.0%
<b>Total New Lending Income</b>	<b>26,145</b>	<b>28,210</b>	<b>(2,065)</b>	<b>-7.3%</b>
<b>Servicing</b>				
Override/Servicing Fee Income	36,807	37,422	(615)	-1.6%
GNMA/FFB Servicing Fee Income	9,993	8,364	1,629	19.5%
Fees - Other	420	442	(22)	-5.0%
<b>Total Servicing Income</b>	<b>47,220</b>	<b>46,228</b>	<b>992</b>	<b>2.1%</b>
<b>Spread</b>				
Bond Program Net Interest Spread	27,632	29,849	(2,217)	-7.4%
WCF Net Interest Spread	8,553	8,029	524	6.5%
Risk Share Fee Income	2,794	3,284	(490)	-14.9%
Loan Prepayment Fees	1,500	750	750	100.0%
<b>Total Spread</b>	<b>40,479</b>	<b>41,912</b>	<b>(1,433)</b>	<b>-3.4%</b>
<b>Investment Earnings, Grant Income, Other</b>				
Investment Earnings	5,963	2,621	3,342	127.5%
Grant Income	6,622	-	6,622	-
Other Income	605	191	414	216.8%
<b>Total Investment Earnings, Grant Income, Other</b>	<b>13,190</b>	<b>2,812</b>	<b>10,378</b>	<b>369.1%</b>
<b>Total Operating Revenues</b>	<b>\$ 127,034</b>	<b>\$ 119,162</b>	<b>\$ 7,872</b>	<b>6.6%</b>
<b>DIRECT EXPENSES</b>				
<b>Administrative Expenses</b>				
Personnel	\$ (38,104)	\$ (35,716)	\$ (2,388)	6.7%
Pension & OPEB	(2,428)	(2,800)	372	-13.3%
Other Payroll Added Costs	(6,505)	(6,313)	(192)	3.0%
Professional Services	(6,663)	(6,717)	54	-0.8%
Information Technology	(11,206)	(9,183)	(2,023)	22.0%
Leased Office Space	(5,284)	(5,218)	(66)	1.3%
Operating Costs	(5,367)	(4,416)	(951)	21.5%
Grant Expenditures	(24,523)	(20,700)	(3,823)	18.5%
Insurance Claims	(575)	(1,594)	1,019	-63.9%
<b>Total Direct Expenses</b>	<b>\$ (100,654)</b>	<b>\$ (92,657)</b>	<b>\$ (7,997)</b>	<b>8.6%</b>
<b>Investment in Future Income</b>				
Servicing Rights Purchased	\$ (4,350)	\$ (6,575)	\$ 2,225	-33.8%
Costs of Issuance	(6,855)	(5,680)	(1,175)	20.7%
<b>Total Investment in Future Income</b>	<b>\$ (11,205)</b>	<b>\$ (12,255)</b>	<b>\$ 1,050</b>	<b>-8.57%</b>
<b>NET INCOME</b>	<b>\$ 15,175</b>	<b>\$ 14,250</b>	<b>\$ 925</b>	<b>6.5%</b>

**Revenues and Expenses for the Massachusetts Housing Finance Agency and Affiliates by Business Line**  
**Proposed Budget For FY 2023**  
**Exhibit 2**  
**(in millions)**

	HO	MF	MIF	Opportunity Fund & Grant Activity	Corporate	FY 2023 Budget Total	FY 2022 Budget Total	Budget to Budget \$ Change	Budget to Budget % Change
<b>REVENUES</b>									
<b>New Lending</b>									
Transaction & Underwriting Fees	\$ 839	\$ 13,310	\$ 4,474	\$ -	\$ -	\$ 18,623	\$ 20,661	\$ (2,038)	-9.9%
Premiums on Loans Sold	1,543	3,000	-	-	-	4,543	6,275	(1,732)	-27.6%
Warehousing/Construction Notes, net	1,013	316	-	-	-	1,329	974	355	36.4%
Fees - Other (AHTF, ARPA, Other)	-	1,650	-	-	-	1,650	300	1,350	450.0%
<b>Total New Lending Income</b>	<b>3,395</b>	<b>18,276</b>	<b>4,474</b>	<b>-</b>	<b>-</b>	<b>26,145</b>	<b>28,210</b>	<b>(2,065)</b>	<b>-7.3%</b>
<b>Servicing</b>									
Override/Servicing Fee Income	9,377	27,430	-	-	-	36,807	37,422	(615)	-1.6%
GNMA/FFB Servicing Fee Income	-	9,993	-	-	-	9,993	8,364	1,629	19.5%
Fees - Other	-	420	-	-	-	420	442	(22)	-5.0%
<b>Total Servicing Income</b>	<b>9,377</b>	<b>37,843</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,220</b>	<b>46,228</b>	<b>992</b>	<b>2.1%</b>
<b>Spread</b>									
Bond Program Net Interest Spread	5,643	21,989	-	-	-	27,632	29,849	(2,217)	-7.4%
WCF Net Interest Spread	-	8,553	-	-	-	8,553	8,029	524	6.5%
Risk Share Fee Income	-	2,794	-	-	-	2,794	3,284	(490)	-14.9%
Loan Prepayment Fees	-	1,500	-	-	-	1,500	750	750	100.0%
<b>Total Spread</b>	<b>5,643</b>	<b>34,836</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,479</b>	<b>41,912</b>	<b>(1,433)</b>	<b>-3.4%</b>
<b>Investment Earnings, Grant Income, Other</b>									
Investment Earnings	-	-	1,857	1,858	2,248	5,963	2,621	3,342	127.5%
Grant Income	-	-	-	6,622	-	6,622	-	6,622	-
Other Income	-	-	-	171	434	605	191	414	216.8%
<b>Total Investment Earnings, Grant Income, Other</b>	<b>-</b>	<b>-</b>	<b>1,857</b>	<b>8,651</b>	<b>2,682</b>	<b>13,190</b>	<b>2,812</b>	<b>10,378</b>	<b>369.1%</b>
<b>Total Operating Revenues</b>	<b>\$ 18,415</b>	<b>\$ 90,955</b>	<b>\$ 6,331</b>	<b>\$ 8,651</b>	<b>\$ 2,682</b>	<b>\$ 127,034</b>	<b>\$ 119,162</b>	<b>\$ 7,872</b>	<b>6.6%</b>
<b>DIRECT EXPENSES</b>									
<b>Administrative Expenses</b>									
Personnel	\$ (7,886)	\$ (13,935)	\$ (496)	\$ -	\$ (15,787)	\$ (38,104)	\$ (35,716)	\$ (2,388)	6.7%
Pension & OPEB	(513)	(886)	(32)	-	(998)	(2,428)	(2,800)	372	-13.3%
Other Payroll Added Costs	(1,368)	(2,187)	(74)	-	(2,876)	(6,505)	(6,313)	(192)	3.0%
Professional Services	(439)	(273)	(693)	-	(5,259)	(6,663)	(6,717)	54	-0.8%
Information Technology	(3,710)	(667)	-	-	(6,829)	(11,206)	(9,183)	(2,023)	22.0%
Leased Office Space	(1,038)	(1,852)	(64)	-	(2,331)	(5,284)	(5,218)	(66)	1.3%
Operating Costs	(1,223)	(305)	(17)	-	(3,822)	(5,367)	(4,416)	(951)	21.5%
Grant Expenditures	-	-	-	(24,523)	-	(24,523)	(20,700)	(3,823)	18.5%
Insurance Claims	-	-	(575)	-	-	(575)	(1,594)	1,019	-63.9%
<b>Total Direct Expenses</b>	<b>\$ (16,176)</b>	<b>\$ (20,104)</b>	<b>\$ (1,950)</b>	<b>\$ (24,523)</b>	<b>\$ (37,901)</b>	<b>\$ (100,654)</b>	<b>\$ (92,657)</b>	<b>\$ (7,997)</b>	<b>8.6%</b>
<b>Investment in Future Income</b>									
Servicing Rights Purchased	\$ (4,350)	\$ -	\$ -	\$ -	\$ -	\$ (4,350)	\$ (6,575)	\$ 2,225	-33.8%
Costs of Issuance	(2,655)	(4,200)	-	-	-	(6,855)	(5,680)	(1,175)	20.7%
<b>Total Investment in Future Income</b>	<b>\$ (7,005)</b>	<b>\$ (4,200)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (11,205)</b>	<b>\$ (12,255)</b>	<b>\$ 1,050</b>	<b>-8.57%</b>
<b>NET INCOME</b>	<b>\$ (4,766)</b>	<b>\$ 66,651</b>	<b>\$ 4,381</b>	<b>\$ (15,872)</b>	<b>\$ (35,219)</b>	<b>\$ 15,175</b>	<b>\$ 14,250</b>	<b>\$ 925</b>	<b>6.5%</b>

**Revenues and Expenses for the Massachusetts Housing Finance Agency and Affiliates - Income Streams**  
**Proposed Budget For FY 2023**  
**Exhibit 3**  
**(in millions)**

	FY 2023 Budget Total	FY 2022 Budget Total	Budget to Budget \$ Change	Budget to Budget % Change	FY 2022 Projection Total
<b>Ongoing Revenue from Past Activities</b>					
Override/Servicing Fee Income	\$ 36,807	\$ 37,422	\$ (615)	-1.6%	\$ 38,489
GNMA/FFB Servicing Fee Income	9,993	8,364	1,629	19.5%	9,469
Bond Program Net Interest Spread	27,632	29,849	(2,217)	-7.4%	21,661
WCF Net Interest Spread	8,553	8,029	524	6.5%	9,876
Risk Share Fee Income	2,794	3,284	(490)	-14.9%	3,250
Loan Prepayment Fees	1,500	750	750	100.0%	1,710
Investment Earnings	2,248	423	1,825	431.4%	1,436
Fees - Other	420	442	(22)	-5.0%	609
<b>Total - Ongoing Revenue from Past Activities</b>	<b>\$ 89,947</b>	<b>\$ 88,563</b>	<b>\$ 1,384</b>	<b>1.6%</b>	<b>\$ 86,500</b>
<b>Current Year Activity - Fee Revenue</b>					
Transaction & Underwriting Fees	\$ 14,149	\$ 15,192	\$ (1,043)	-6.9%	\$ 11,243
Premiums on Loans Sold	4,543	6,275	(1,732)	-27.6%	5,788
Warehousing/Construction Notes, net	1,329	974	355	36.4%	(416)
Fees - Other (AHTF, ARPA, Other)	2,084	425	1,659	390.4%	1,890
<b>Total Current Year Activity - Fee Revenue</b>	<b>\$ 22,105</b>	<b>\$ 22,866</b>	<b>\$ (761)</b>	<b>-3.3%</b>	<b>\$ 18,505</b>
<b>Current Year Activity - Operating Costs</b>					
Personnel	\$ (46,435)	\$ (44,368)	\$ (2,067)	4.7%	\$ (43,575)
Administrative Expenses	(27,746)	(24,564)	(3,182)	13.0%	(23,389)
<b>Total Current Year Activity - Operating Costs</b>	<b>\$ (74,181)</b>	<b>\$ (68,932)</b>	<b>\$ (5,249)</b>	<b>7.6%</b>	<b>\$ (66,964)</b>
<b>Available Net Income - Cash</b>	<b>\$ 37,871</b>	<b>\$ 42,497</b>	<b>\$ (4,626)</b>	<b>-10.9%</b>	<b>\$ 38,041</b>
<b>Investment in Future Income</b>					
Servicing Rights Purchased	\$ (4,350)	\$ (6,575)	\$ 2,225	-33.8%	\$ (3,896)
Costs of Issuance	(6,855)	(5,680)	(1,175)	20.7%	(6,131)
<b>Total Investment in Future Income</b>	<b>\$ (11,205)</b>	<b>\$ (12,255)</b>	<b>\$ 1,050</b>	<b>-8.57%</b>	<b>\$ (10,027)</b>
<b>MIF</b>					
Transaction & Underwriting Fees	\$ 4,474	\$ 5,469	\$ (995)	-18.2%	\$ 5,875
Investment Earnings	1,857	1,674	183	10.9%	1,730
Income - Other	-	-	-	-	16
Personnel	(602)	(462)	(140)	30.2%	(301)
Administrative Expenses	(773)	(969)	196	-20.2%	(816)
Insurance Claims	(575)	(1,594)	1,019	-63.9%	(209)
<b>Total MIF</b>	<b>\$ 4,381</b>	<b>\$ 4,118</b>	<b>\$ 263</b>	<b>6.4%</b>	<b>\$ 6,295</b>
<b>Opportunity Fund &amp; Grant Activity</b>					
Investment Earnings	\$ 1,858	\$ 524	\$ 1,334	254.6%	\$ 1,334
Grant Income	6,622	-	6,622	-	8,595
Other Income	171	66	105	159.1%	185
Grant Expenditures	(24,523)	(20,700)	(3,823)	18.5%	(13,067)
<b>Total Opportunity Fund &amp; Grant Activity</b>	<b>\$ (15,872)</b>	<b>\$ (20,110)</b>	<b>\$ 4,238</b>	<b>-21.1%</b>	<b>\$ (2,953)</b>
<b>NET INCOME</b>	<b>\$ 15,175</b>	<b>\$ 14,250</b>	<b>\$ 925</b>	<b>6.5%</b>	<b>\$ 31,356</b>

**Revenues and Expenses for the Massachusetts Housing Finance Agency and Affiliates - Sustainable Core  
Proposed Budget For FY 2023**

**Exhibit 4  
(in millions)**

	FY 2023 Budget Total	FY 2022 Budget Total	Budget to Budget \$ Change	Budget to Budget % Change	FY 2022 Projection Total
<b>WCF - Operating Income</b>					
Override/Servicing Fee Income	\$ 36,807	\$ 37,422	\$ (615)	-1.6%	\$ 38,489
GNMA/FFB Servicing Fee Income	9,993	8,364	1,629	19.5%	9,469
WCF Net Interest Spread	8,553	8,029	524	6.5%	9,876
Risk Share Fee Income	2,794	3,284	(490)	-14.9%	3,250
Loan Prepayment Fees	1,500	750	750	100.0%	1,710
Investment Earnings	2,248	423	1,825	431.4%	1,436
Transaction & Underwriting Fees	14,149	15,192	(1,043)	-6.9%	11,243
Premiums on Loans Sold	4,543	6,275	(1,732)	-27.6%	5,788
Warehousing/Construction Notes, net	1,329	974	355	36.4%	(416)
Fees - Other (AHTF, ARPA, Other)	2,504	867	1,637	188.8%	2,499
<b>Total WCF - Operating Income</b>	<b>\$ 84,420</b>	<b>\$ 81,580</b>	<b>\$ 2,840</b>	<b>3.5%</b>	<b>\$ 83,344</b>
<b>WCF - Operating Costs</b>					
Personnel	\$ (46,435)	\$ (44,368)	\$ (2,067)	4.7%	\$ (43,575)
Administrative Expenses	(27,746)	(24,564)	(3,182)	13.0%	(23,389)
Servicing Rights Purchased	(4,350)	(6,575)	2,225	-33.8%	(3,896)
<b>Total WCF - Operating Costs</b>	<b>\$ (78,531)</b>	<b>\$ (75,507)</b>	<b>\$ (3,024)</b>	<b>4.0%</b>	<b>\$ (70,860)</b>
<b>Excess of Revenues over Expenses</b>	<b>\$ 5,889</b>	<b>\$ 6,073</b>	<b>\$ (184)</b>	<b>-3.0%</b>	<b>\$ 12,484</b>
<b>Transfers From the Bond Programs</b>					
MF Bond Programs - Housing Bonds	\$ 14,500	\$ 15,000	\$ (500)	-3.3%	\$ 11,990
MF Bond Programs - Other	2,968	3,957	(989)	-25.0%	3,683
SF Bond Programs	16	70	(54)	-77.1%	36
<b>Total Transfers From the Bond Programs</b>	<b>\$ 17,484</b>	<b>\$ 19,027</b>	<b>\$ (1,543)</b>	<b>-8.1%</b>	<b>\$ 15,709</b>
<b>Excess After Transfers from Bond Programs</b>	<b>\$ 23,373</b>	<b>\$ 25,100</b>	<b>\$ (1,727)</b>	<b>-6.9%</b>	<b>\$ 28,193</b>
<b>Transfer to Opportunity Fund</b>	<b>\$ 11,687</b>	<b>\$ 12,550</b>	<b>\$ (863)</b>	<b>-6.9%</b>	<b>\$ 14,096</b>
<b>MF Bond Programs</b>					
Bond Program Net Interest Spread	\$ 21,989	\$ 23,031	(1,042)	-4.5%	\$ 18,488
Costs of Issuance	(4,200)	(3,130)	(1,070)	34.2%	(3,130)
<b>Total MF Bond Program</b>	<b>\$ 17,789</b>	<b>\$ 19,901</b>	<b>\$ (2,112)</b>	<b>-10.6%</b>	<b>\$ 15,358</b>
<b>SF Bond Programs</b>					
Bond Program Net Interest Spread	\$ 5,643	\$ 6,818	(1,175)	-17.2%	\$ 3,173
Costs of Issuance	(2,655)	(2,550)	(105)	4.1%	(3,001)
<b>Total SF Bond Program</b>	<b>\$ 2,988</b>	<b>\$ 4,268</b>	<b>\$ (1,280)</b>	<b>-30.0%</b>	<b>\$ 172</b>
<b>Total Bond Programs</b>	<b>\$ 20,777</b>	<b>\$ 24,169</b>	<b>\$ (3,392)</b>	<b>-14.0%</b>	<b>\$ 15,530</b>
<b>MIF</b>					
Transaction & Underwriting Fees	\$ 4,474	\$ 5,469	\$ (995)	-18.2%	\$ 5,875
Investment Earnings	1,857	1,674	183	10.9%	1,730
Income - Other	-	-	-	-	16
Personnel	(602)	(462)	(140)	30.2%	(301)
Administrative Expenses	(773)	(969)	196	-20.2%	(816)
Insurance Claims	(575)	(1,594)	1,019	-63.9%	(209)
<b>Total MIF</b>	<b>\$ 4,381</b>	<b>\$ 4,118</b>	<b>\$ 263</b>	<b>6.4%</b>	<b>\$ 6,295</b>
<b>Opportunity Fund &amp; Grant Activity</b>					
Investment Earnings	\$ 1,858	\$ 524	\$ 1,334	254.6%	1,334
Grant Income	6,622	-	6,622	100.0%	8,595
Other Income	171	66	105	100.0%	185
Grant Expenditures	(24,523)	(20,700)	(3,823)	18.5%	(13,067)
<b>Total Opportunity Fund &amp; Grant Activity</b>	<b>\$ (15,872)</b>	<b>\$ (20,110)</b>	<b>\$ 4,238</b>	<b>-21.1%</b>	<b>\$ (2,953)</b>
<b>NET INCOME</b>	<b>\$ 15,175</b>	<b>\$ 14,250</b>	<b>\$ 925</b>	<b>6.5%</b>	<b>\$ 31,356</b>

## **Exhibit 5**

### **Glossary of Terms used in MassHousing's Fiscal Plan for FY 2023**

This material provides a brief explanation of the various revenue and expense categories that are used throughout this Fiscal Plan. This guide does not present textbook definitions of these terms, but describes how certain types of transactions are recognized.

### **Operating Revenues**

#### **Production and New Lending Income**

This income is earned and recognized at the time of the loan funding. This includes the following:

- Premiums earned on loans that are securitized and sold to the secondary market and the Single Family Housing Revenue Bond Program (SFHRB).
- Transaction/underwriting fees include application and financing fees charged for Multifamily Lending loan commitments and closings. In Homeownership (HO), these include borrower processing fees. Fees also include premiums and renewals earned by the Mortgage Insurance Fund (MIF).
- Warehousing, which represent the interest earned on loans that are initially funded through the Working Capital Fund (WCF). The WCF serves as a temporary funding source for HO lending activity, pending subsequent sale of the loans, or loans wrapped by Mortgage-Backed Securities (MBS), either to outside investors or to one or more of MassHousing's bond programs. The warehousing interest earned is offset by the interest expense of the line of credit, which is used to fund the purchase of these loans.
- Construction Loans/Notes, which represents the interest earned on construction loans offset by the interest expense of the construction loan notes used to fund the financing of these loans.
- Other Income, which represents revenue not included elsewhere (Affordable Housing Trust Fund fee income).

#### **Servicing Income, Spread, and Investment Earnings**

- Servicing income includes loan servicing fees, including Government National Mortgage Association (GNMA) and Federal Financing Bank (FFB) service fees, contract administration fees from the U.S. Department of Housing and Urban Development (HUD), as well as fees charged to participants of the Tenants Assistance Program (TAP).

- HO and Multifamily Spread, which represents the interest earned in the bond resolutions on its loans and investment earnings offset by the interest expense of the bonds used to fund the financing of these loans and financing costs.
- In addition, there are fees which are unique to certain resolutions such as remarketing and liquidity fees applicable in the case of variable rate bonds. Lastly, certain resolutions have financed Section 8 developments subsidized with a so-called Financing Adjustment Factor (FAF). The bonds financing these developments were refunded in prior years with the resulting interest rate savings being shared equally with HUD and booked as Financing Costs.
- Risk Share Fee Income, which represents the fees earned for bearing the risk of loss for loans funded under the Risk Sharing Program for Insured Affordable Multi Family Project Loans (Risk-Sharing Program), which is administered by HUD.
- Loan Prepayment Fees, which is a fee received to recapture the interest lost when a loan is paid off before its scheduled maturity date.
- WCF Interest on Loans, which represents a limited number of loans (i.e. mortgage increases, Priority Development Loans, HO construction loans, etc.) that have been funded out of WCF in lieu of issuing bonds, or on an interim basis pending the issuance of bonds. In addition, loans funded through an advance of funds from the Federal Home Loan Bank (FHLB) of Boston are booked to WCF.
- Grant Income, which are grants received to further the Agency's mission. This includes grants received from the Commonwealth, FHLB, and the Capital Magnet Fund.
- Earnings from investments held by MassHousing in WCF and the Opportunity Fund, excluding Construction Loan Notes, and MIF.

### **Direct Expenses**

- **Administrative Expenses**

Administrative expenses booked to WCF refer to the cost of doing business, including such costs as all personnel and operating expenses, professional service contracts, and leasehold obligations (net of sublease income). Administrative expenses also include the continuing support of community services such as TAP and Youth Residents Activities Program (Youth RAP). This line item also funds the provision of technical assistance and other resources targeting minority-owned and woman-owned business enterprises (MBEs & WBEs) in industries related to housing construction and management. Costs associated with crime prevention, youth development and community engagement that are provided to certain MassHousing developments are also included in this item.



Administrative expenses booked to the bond resolutions refer to fees paid to the trustees of our bond resolutions (e.g., US Bank, Wells Fargo, Bank of New York Mellon).

- **Grant Expenditures**

Grants expended to further the Agency's mission, which include grants from the Commonwealth, funding for the Center for Community Recovery Innovations (CCRI) and the Opportunity Fund expenditures.

- **Insurance Claims**

Insurance claims refer to claims paid by MIF on loans insured by the Fund, or partial claims paid with various risk-share partners.

### **Investment in Future Income**

- **Servicing Rights Purchased**

The cost to acquire the rights to service, and earn a servicing fee, over the life of the loans.

- **Cost of Issuance**

Financing costs include the costs to issue and refund bonds such as those fees paid to the bond underwriting team and selling group, bond counsel, rating agencies, as well as any ancillary expenses.

## Vote Approving an Amendment to the OPEB Trust Agreement

Stephen Vickery presented a proposed amendment to the OPEB Trust Agreement. In 2008 the Members approved the establishment of the Massachusetts Housing Finance Agency Other Post-Employment Benefits Trust (the “OPEB Trust”) to fund the Agency’s non-pension obligations to retired employees. In accordance with the Members’ vote, the Agency executed an irrevocable trust agreement (the “OPEB Trust Agreement”) to create the trust and in 2018 the Members approved amendments to the OPEB Trust Agreement to recognize the implementation of GASB Statement No. 74 and 75 (“GASB 74/75”), which address accounting and financial reporting for other post-employment benefits.

Every year the OPEB Trust’s actuary produces a GASB 74/75 report, which includes the OPEB Trust’s funding schedule and information used in the audit reports of the Agency and the OPEB Trust. On alternate years it also includes an updated valuation. The GASB 74/75 report is used by the Agency to record entries to its Combined Statements of Net Position and its Combined Statements of Revenues, Expenses, and Changes in Net Position and to update certain notes to the Financial Statements and the Required Supplementary Information. Due to requirements of GASB 74/75 and the OPEB Trust using a July 1- June 30 fiscal year, this report, unlike the GASB 67/68 report regarding the Agency’s pension, cannot be delivered and reviewed by Agency staff until mid-August. This puts the Agency at risk of failing to deliver its audit within 90 days of its June 30 fiscal year end, as required by the Agency’s enabling statute and certain counterparties (e.g., the GSEs and Ginnie Mae).

To mitigate this risk to audit timeliness, staff proposes changing the fiscal year of the OPEB Trust to be January 1- December 31. This would allow the GASB 74/75 report to be delivered each year well in advance of the Agency’s audit and would allow staff to review it outside of the audit period, ensuring greater capacity for thorough review and consideration of additional investment options. This would also align the date of the GASB 74/75 report with the analogous report for the pension.

To effect this change to the OPEB Trust’s fiscal year, staff proposes amending the OPEB Trust Agreement, effective as of July 1, 2022. This would result in a “stub” accounting period for the OPEB Trust from July 1- December 31, 2022 requiring its own audit before 12 month OPEB Trust audits could resume for each calendar year beginning January 1, 2023. This approach is similar to what MassPort employed for its OPEB trust.

Upon a motion duly made and seconded, by roll call vote, it was, by all Members present:

**VOTED:** To approve amendment to the Irrevocable Trust Agreement made by the Agency and the MassHousing OPEB Committee, as trustee, dated June 26, 2008 with respect to the Massachusetts Housing Finance Agency OPEB Trust (as previously amended, the “OPEB Trust Agreement”) to define the fiscal year for the OPEB Trust to be the calendar year.

**FURTHER VOTED:** To authorize the Executive Director, Financial Director, or the General Counsel to execute an amendment of the OPEB Trust Agreement effectuating the change described in the immediately preceding vote.

## Multi-Family Business Line Update

Mark Teden gave an update on the Multi-Family business line. Mr. Teden began by stating there is over \$1 billion in the pipeline. Deals have slowed somewhat, but we have prescreened \$700 million. Year-to-date MassHousing has closed 40 deals totaling \$834.3 million. With additional year-end activity, we expect total closings to exceed \$900 million on our goal of \$800 million.

In FY2022, 15 developments (1,118 units) started construction and 17 developments (1,621 units) reached substantial completion. Mr. Teden next discussed market vacancy. Every area except Pittsfield has vacancy rates lower than the rest of the country. Vacancy rates remained at historically low levels between Q1 2020 and Q1 2022.

As far as portfolio distribution, MassHousing has developments in 54% of the municipalities in Massachusetts (188.) There are a total of 104,000 units in the portfolio, of which 84,000 (81%) are affordable.

In addition, MassHousing has closed 11 Workforce Housing deals in FY2022 and expect to close on another three by the end of June 2022. This will total 6 more deals than last year. The Commonwealth Builder pipeline has grown since the start of the program and MassHousing has committed seven Commonwealth Builder grants totaling 81 units.


Mr. Teden next discussed the Subsidized Housing Emergency Rental Assistance (SHERA) program. The SHERA program enables owners of affordable properties to apply directly for federal funds to pay rental arrearages for their qualifying tenants. Owners can apply through an online process on behalf of multiple residents on a single application.

Chair Pinado asked if there was any other old or new business for the Members' consideration. There was none.

There being no other old or new business, the meeting adjourned at 3:19 p.m.

A true record.

Attest.

  
\_\_\_\_\_  
Colin M. McNiece  
Secretary