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Mortgage Insurance Fund (MIF) Committee Meeting Minutes

The regular meeting of the Mortgage Insurance Fund Committee of the Massachusetts Housing Finance Agency – doing business as MassHousing – was held on November 10, 2020. In accordance with the Order Suspending Certain Provisions of the Open Meeting Law, G.L. 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.

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

Michael Dirrane
Peter Milewski
Charles Karimbakas
Steve Vickery
Mounzer Aylouche

MassHousing Staff Present: Laurie Bennet
Tom Norton
Lisa Fiandaca
Colin McNiece

The meeting began at 1:00 p.m.

As this is the first meeting of the committee there were no previous minutes subject to approval.

Colin McNiece summarized the function and intent of the committee.

Tom Norton presented an overview of MIF activity for FY2020, noting there were 1,920 total applications consisting of 159 MI Only applications and 1,761 MI applications, 1,875 (97%) were approved.

Peter Milewski asked about the run-off rate last year and Mr. Norton responded it was approximately 22% and the largest year for cancellations.

Mr. Norton continued with a description of the loan characteristics for the fiscal year by county, average FICO, DTI, LTV, etc. He noted a significant increase in defaults and claims in the 4th quarter of FY20 noting that 405 of the 705 loans in default as of 6/30/20 were the result of Covid-19.

Mr. Milewski commented on the high participation in Gateway cities and minority populations.

Mr. Norton explained that provisions for losses increased approximately \$3 million due to the rise in delinquencies and that overall operating income is down \$3 million from the prior year due to the increase provision for losses. The fund balance on a cash basis is \$128.7 million. He then reviewed the Capital Adequacy and capacity for the fiscal year and described the model used by S&P.

Mr. Milewski asked if PMIERS required any modifications and Mr. Norton responded yes, PMIERS has required minimum assets calculation that is now calculated and that a housing finance specific set of guidelines referred to as HFAMIERS is in development.

Mr. Norton then presented an overview of the first quarter of fiscal year 2021, noting there were 818 MI Application, 27 MI Only and 791 MI applications of which 813 (99.4%) were approved. Applications were higher than over the same period last year. Defaults increased during the first quarter. Mr. Norton also noted a correction on slide 17 where the figure "623" should be "721".

Mr. Milewski asked how many loans have DPA and staff responded approximately 38%.

Mr. Norton then summarized the MIPlus activity during the pandemic and presented the status of the RFP for reinsurance.

The RFP had been sent to 12 prospective bidders on August 31st, consisting of 6 brokers and 6 insurers. Responses were due October 13. Four responses were received but two were only letters of interest and not responsive to the RFP requirements. The remaining two responses were from Willis Re and Genworth. The Genworth proposal included in a low ceding commission and would require raising rates. The most advantageous proposal was received from Willis re with participating insurers including Everest, Aspen Re, Insurance Company of the West and Markel Global Reinsurance Company. The proposal included a 2-year agreement with a 25% ceding commission, with similar risk limits, though final details are still subject to negotiation.

Mr. Karimbakas asked about the ratio of concentration of coverage with Everest and Mr. Norton responded that its consistent with current coverage and Everest is the strongest reinsurer in the proposal.

Mr. Dirranne asked about the retention proposal and Mr. Norton said the proposal is a 90/10 quota share structure with a 25% commission. Mr. Dirrane then inquired if DPA loans are being priced appropriately for the risk and Mr. Norton noted the Milliman has looked at that point before the RFP was released and recommended that we didn't change pricing.

Lisa Fiandaca then presented MIPlus marketing efforts.

Mr. Dirrane asked if we were seeing a cross-section of borrowers being selectively targeted in our market and whether we might see substantial competition if we're on a static rate card. Mr. Aylouche explain that the Homeownership business line is in the process of introducing a new front-end system that would have capacity to allow risk-based pricing and that once the technical capacity is established that risk-based pricing may be introduced.

Mr. Milewski noted that historically MIF has been reluctant to get into risk-based pricing because it is predicated on FICO and DTI metrics and could be counterproductive to goals around minority

participation but that in the current environment the practice has become pervasive throughout the industry.

Mr. Dirrane expressed concern about ending up with a skewed portfolio in competing with other MI companies that are using AI processing.

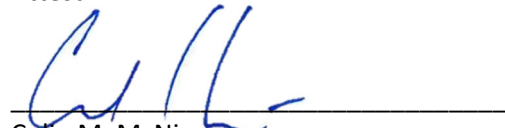
The group discussed trends throughout the MI industry and future expectations. Mr. Milewski commended staff for the success of MIF particularly in the current environment.

The members then voted to adjourn.

The meeting concluded at approximately 1:45 p.m.

A true record.

Attest.



Colin M. McNiece
Secretary

Meeting Materials:

- (i) Mortgage Insurance Fund Updates, November 10, 2020
- (ii) MassHousing Mortgage Insurance Fund, Annual Financial Report, June 30, 2020 and 2019