

Mortgage Insurance Fund (MIF) Committee
Meeting Minutes – May 13, 2025

The regular meeting of the Mortgage Insurance Fund Committee of the Massachusetts Housing Finance Agency – doing business as MassHousing – was held on May 13, 2025. 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:

Mounzer Aylouche
Paul Hagerty
Peter Milewski

Members absent:

Rachel Madden
Presently one vacancy

The meeting began at 1:00 p.m.

The Members first took up the approval of the previous meeting's minutes. 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 March 11, 2025, are hereby approved and placed on record.

Qi Hong Li began by providing an overview of MIF production for Q3FY25. She noted that altogether, Q3FY2025 was a terrific quarter; both loan count and insurance-in-force increased with a net growth of 81 loans totaling \$29K in insurance-in-force. One MI claim was made and 103 MI Plus benefits, with a slightly decreased delinquency count. Ms. Li added that we continue to grow our fund balance and that our financial position and loan characteristics remain strong - helped in part by a 40% premium discount offered on WFA loans starting 1/1/25.

Ms. Li continued that we successfully launched an API for Total MI Claim with Freddie Mac on March 2025 and explained Total MI Claims as Freddie Mac's automated claims submission process used to review and process claims in MIF Servicing. During the quarter,

we received a total of 280 MI applications; 6 MI Only applications and 274 MassHousing applications compared to 232 applications in the same quarter last year. This represents a 20% increase. MI activation outpaced cancellations and amortization with 269 activation totaling \$84M compared to 188 cancellations at \$43M, and \$204.2 million in insurance-in-force. The rise in MI activation represents a 21% increase over the same quarter last year, with 223 activations totaling \$75M. Cancellations were down 20% with 188 cancellations totaling \$43M from 235 cancellations totaling \$49M in the same quarter last year. Comparing YTD FY25 to YTD FY24, applications increased by 70%, activation by 56% and cancellation by 15%. We had 10,763 loans in our portfolio, and insurance-in-force was \$2.8B by the end of Q3 of FY25.

Ms. Li shared a chart on the total loan count and insurance-in-force for the past 13 months and another chart for new loans and cancellation for the same period, which showed that we performed very well over the first 2 quarters in the fiscal year. However, production slowed down in the most recent quarter due to seasonal adjustments, the reduction of WFA loans to borrowers with income less than 60%, and interest rate increase at the beginning of the calendar year. According to Ms. Li, the new WFA income restriction is expected to reduce WFA loan volume by approximately 50%.

Mr. Alex Burbine continued the presentation with data on the loan characteristics, which he said continued to be very good. FICO was at 743, DTI at 40.9%, LTV at 91.2% and CLTV 99.6%. Mr. Alex shared a chart comparing FICO and DTI from 1QFY23 to 3QFY25, which showed that the DTIs have remained relatively steady, but slightly higher than prior years due to the high housing price and interest rates. A look at the changes in LTV and CLTV trends for that same period shows a drop in the CLTV during 3QFY23, which was due to the DREAMS program. Borrowers making less than 60% AMI were 24.5%; those making less than 80% were 49.1% and those making less than 100% AMI were 71.7%. Gateway City loans were 50.6% and loans to minority households, 47.7%.

Mr. Burbine added that the loan delinquencies totaled 249 loans at a delinquency rate of 2.31%. By comparison, on 3/31/24, we had 243 defaults, but the default rate was slightly higher at 2.38%. According to him, the default rate decreased due to an increase in the total number of loans in our portfolio and he remarked that the default rate this quarter was the lowest of the year. Mr. Burbine explained that, historically, the quarter ending 3/31 tends to show the lowest default rates due to the positive impact of tax refunds, which helps borrowers catch up on payments. In contrast, the quarter ending 12/31 typically shows a spike in defaults, driven by holiday spending and weather-related expenses. The overall default rate has been trending down since 12/31/2020 when we had 852 defaults and a

default rate of 7.92%. The foreclosure rate for 3QFY25 at .40% with 43 loans, was still relatively low and steady.

Regarding MI claims and MI Plus benefits, Mr. Burbine shared that we paid 1 MI claim this quarter totaling \$31K. Overall, we paid 9 claims totaling \$400K in this FY, a significant increase from 5 MI claims totaling \$146K during the first 3 quarters of FY24. However, all 9 loans were reinsured, and were therefore only responsible for 10% of the total claim. The MIF portion of MI claims after reinsurance was \$40K.

MI Plus is trending upwards throughout FY25. So far, we paid 274 benefits to 75 borrowers, totaling \$343K; an increase of 63% compared to the same periods in FY24. In the first 3 quarters in FY24, we paid 152 benefits to 42 borrowers, totaling \$210K. The unemployment rate in Massachusetts as of March 25th of this year was 4.4%; up 3 basis points from December 2024.

Mr. Burbine also shared the financial results for 3QFY25, stating that net operating income on a cash basis is \$5.9M. He indicated that the premium income increased by \$1M from last year. The reinsurance premium increased by \$0.5 million from the previous year, as did the net premium after reinsurance. Investment income is up \$1.2 million, MI claims are up \$255,000, and MI Plus claims are up \$133,000. The total claims are also up \$388K. On a cash basis, the Fund balance is \$147.9M as of 3/31/25.

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 provision for losses decreased this quarter by \$158K, with the total UCE declining to \$1.2M compared to \$1.35M for the quarter ending 12/31/24. This reduction was primarily driven by a decrease in delinquency loan count from 281 to 249 – a reduction of 32 loans. However, this improvement was partially offset by a slight shift in the delinquency inventory toward more severe delinquency status.

Mr. Burbine provided insight into the impact of the current high-interest rate environment on principal and interest (P & I) and MI Plus benefits. He shared that over the past 3 years, the average mortgage interest rate increased from 4.1% in Q1 2022 to 6.7% in Q1 2025. As a result, the average P & I increased from \$1300 to over \$24k. To better support borrowers facing these rising costs, we increased the maximum monthly MI Plus benefit from \$2K to \$4K, effective 7/1/24. Due to this increase, FNMA and Freddie Mac have increased the required asset amount to cover the exposure of MI Plus coverage. This marks the first time they have established a risk-based required asset amount specifically to MI Plus exposures. They now apply a 9% increase to the Gross Required Assets for any Risk In Force with an effective date on or after 7/1/2024, and a 6% increase to Gross Required Assets for any Risk In Force with an effective date prior to 7/1/2024.

Regarding PMIERS, our total available assets include cash, bonds, receivables from investments and uncollected premiums. As of 3/31/25, our total available assets were \$137.8M (Mr. Burbine pointed out that the \$135.4M shown on the slide was an estimate from when the presentation was prepared). Our calculated required asset amount increased from \$13.9M to \$16.4M quarter-to-quarter. This increase is a result of the MI Plus exposures (\$2.8M). Our minimum required asset amount is still \$50M. The percentage of total available assets to calculated required assets is 823% (840%).

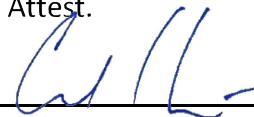
The HFAMIER implemented new compliance requirements concerning the available assets effective 3/31/25. Under FHFA's oversight, FNMA worked jointly with Freddie Mac to issue this new guidance effective on a phased-in schedule ending 9/30/36. This guidance revises the available asset requirements to address the risk that on-balance sheets assets could lose value under stress scenarios. The purpose of balance sheet risk limits is to mitigate the concentrations of risk by capping the maximum holdings of certain asset types as a percentage of available assets. ABS (Assets Backed Securities) shall not exceed 20% of available assets. Total debt and MBS issued by FNMA and Freddie Mac shall not exceed 25% of available assets. The new requirements also apply haircuts to available assets based on credit ratings of securities. This approach ensures a more conservative valuation of assets by reducing the reported value of lower-rated securities.

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

The meeting concluded at approximately 1:27 pm

A true
record.

Attest.

A handwritten signature in blue ink, appearing to read 'Colin M. McNiece', is written over a horizontal line.

Colin M. McNiece
Secretary