

MASSHOUSING MORTGAGE INSURANCE FUND

**ANNUAL FINANCIAL REPORT
JUNE 30, 2025 and 2024**

**MASSHOUSING MORTGAGE INSURANCE FUND
FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024**

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS 1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) 3-12

FINANCIAL STATEMENTS

Statements of Net Position..... 13
Statements of Revenues, Expenses and Changes in Net Position..... 14
Statements of Cash Flows 15-16

NOTES TO FINANCIAL STATEMENTS 17-29



Report of Independent Auditors

To the Members of the Massachusetts Housing Finance Agency

Opinions

We have audited the accompanying financial statements of the business-type activities of the MassHousing Mortgage Insurance Fund (the “MIF”), a fund within the Massachusetts Housing Finance Agency’s (the “Agency”) Working Capital Fund, as of and for the years ended June 30, 2025 and 2024, including the related notes, which collectively comprise MIF’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the MassHousing Mortgage Insurance Fund, a fund within the Massachusetts Housing Finance Agency’s Working Capital Fund, as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MIF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MIF’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a

substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MIF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the MIF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Boston, Massachusetts

September 19, 2025

MassHousing Mortgage Insurance Fund
Annual Financial Report

Prepared by the
Office of the Financial Director
Rachel C. Madden, Financial Director
Sandra J. Bakaysa, Comptroller

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Annual Report

This annual financial report of the MassHousing Mortgage Insurance Fund (MIF) consists of three sections: (1) management's discussion and analysis; (2) the financial statements; and (3) notes to the financial statements.

The financial statements and notes to the financial statements were prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) using the accounting standards promulgated by the Governmental Accounting Standards Board (GASB).

Management's Discussion and Analysis

The following is an unaudited narrative overview of MIF's financial position and the results of its operations for the fiscal years ended June 30, 2025 (FY 2025) and June 30, 2024 (FY 2024), with selected comparative information for the fiscal year ended June 30, 2023 (FY 2023). Readers are encouraged to consider the information presented in this discussion and analysis in conjunction with the information presented in the financial statements and notes to the financial statements, all of which follow this narrative overview.

Management's discussion and analysis is designed (1) to assist the reader in focusing on significant financial matters and activities and (2) to identify any significant changes in MIF's financial position and results of its operations during FY 2025 and FY 2024, with selected comparative information for FY 2023. The primary accounting policies followed by MIF are presented in Note B to the financial statements and are not repeated herein.

The Financial Statements

- The statement of net position provides information about MIF's financial condition at the end of the fiscal year by indicating the nature and amounts of its investments in resources (assets), its obligations to creditors (liabilities), its deferred outflows and inflows of resources, if applicable, and its resulting net position at the end of the fiscal year. Net position represents total assets, plus deferred outflows of resources, less total liabilities, less deferred inflows of resources. The organization of the statement of net position separates assets and liabilities into their current and non-current components. It also separately displays deferred outflows and inflows of resources, if there are any.
- The statement of revenues, expenses, and changes in net position provides information about MIF's revenues and expenses for the fiscal year in order to measure the performance (or results) of MIF's operations over the fiscal year. This statement measures operating results and the change in net position for the fiscal year. If revenues exceed expenses for the fiscal year, the result is operating income which increases the net position for the fiscal year. If expenses exceed revenues, the result is a decrease in net position for the fiscal year.

- The statement of cash flows provides detailed information about the net change in cash and cash equivalents for the fiscal year, resulting from four principal types of activities: operating activities, capital financing activities, if any, non-capital financing activities, and investing activities. Cash collections (receipts) and payments (disbursements) are presented in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

The Notes to Financial Statements

- The notes to financial statements provide information that is useful to the reader in understanding MIF's financial statements, including the description of its programs, accounting methods, and policies.
- The notes include disclosures regarding MIF's investments and cash and cash equivalents, as well as its contractual obligations, future commitments, and contingencies.
- The notes also include information regarding events or developments that did have or could have a material impact on MIF's financial condition, results of operations, or cash flows.

Background

In June 1988, the Massachusetts Housing Finance Agency (MassHousing or the Agency) established the Massachusetts Housing Loan Loss Reserve Fund within the Agency's Working Capital Fund (WCF) under an escrow agreement, last amended on June 21, 2010, between the Agency and U.S. Bank National Association. In October 2003, the Fund's name was changed to the MassHousing Mortgage Insurance Fund (MIF). MIF's net position is presented as restricted net position within the Agency's Working Capital Fund. MIF was created in response to the Agency's assessment and determination that insurance provided by private mortgage insurers was not available to borrowers at prices and with terms and conditions consistent with the requirements of the Agency's single-family loan programs.

Under the terms of the escrow agreement, MIF may not issue any mortgage insurance policy for a loan, or make any commitment for a policy, if it is determined that the MIF's capital is not sufficient to satisfy the capital adequacy requirements of both Standard & Poor's Rating Services (S&P) and Moody's Investors Service, Inc. (Moody's) necessary to maintain the Agency's credit rating and the credit ratings on the Agency's outstanding bonds based on reserve models provided by such rating agencies.

MassHousing, on behalf of the MIF, has entered into reinsurance agreements with Mortgage Guaranty Insurance Corporation (MGIC), United Guaranty Residential Insurance Corporation (UG), Enact Mortgage Insurance Corporation (EMIC), and Gallagher Re Inc., acting as a broker for Aspen American Insurance Company, Essent Reinsurance Ltd., Everest Reinsurance Company, Insurance Company of the West, Lancashire Insurance Company Limited, Markel Bermuda Limited, Markel Global Reinsurance Company, Partner Reinsurance Europe SE (Zurich Branch), Partner Reinsurance Company of the U.S. and Renaissance Reinsurance Limited. These agreements provide reinsurance of MassHousing's Home Ownership loans and, in certain cases, other conventional mortgage loans purchased by MassHousing. These loans were made to persons and families of low- and moderate-income in Massachusetts one-to-four-unit, owner-occupied residential dwellings. These loans were either purchased by participating mortgage lenders or originated by MassHousing sourced through mortgage brokers, as well as obtained through the purchase of bank portfolio loans held by Massachusetts banks.

These insurers provide greater diversification of risk, minimize exposure on large losses, and allow MIF to access increased limits of liability. Although reinsurance agreements contractually obligate MIF's reinsurers to reimburse MIF for their proportionate share of any losses, they do not discharge MIF's primary responsibility to pay the loss claim.

MIF does not have separate legal standing from MassHousing, and therefore is not a component unit as defined by GASB Statement No. 14 – The Financial Reporting Entity. MIF is part of MassHousing and is included in MassHousing's combined financial statements as a part of the Agency. At its discretion, MassHousing's Board of Directors may elect to contribute cash to MIF to increase or stabilize MIF's insurance capacity.

All fees, charges, and premiums collected from borrowers and lenders and all investment earnings are deposited into MIF accounts. All mortgage insurance claims, including all costs associated therewith, as well as all administrative expenses incurred by MassHousing in connection with the administration of MIF, are payable from MIF accounts. MIF operates separately and independently from the Agency's Home Ownership loan program's origination and monitoring operations. MIF currently derives all its business from either MassHousing or MassHousing's approved lender network.

As of June 30, 2025 and 2024, MIF's total insurance in force approximated \$2.8 billion and \$2.6 billion, respectively, of loans, net of principal reductions. Of these amounts, reinsurers covered 74% in both FY 2025 and FY 2024, equating to \$2.1 billion and \$1.9 billion respectively, of the mortgage insurance, whereas MIF retained \$722 million and \$677 million, respectively. As of June 30, 2025, MIF estimates that it is authorized to extend mortgage insurance coverage up to an additional \$2.5 billion of loans without reinsurance, or \$24.9 billion with reinsurance, or any combination which arrives at the same additional exposure.

Managing Capital Resources

MIF continues to maintain a strong capital position with significant excess resources above its required capital levels. MIF held \$141 million of available assets under management as of June 30, 2025, which was \$91 million or 183% above its required level of \$50 million under the Housing Finance Agency Mortgage Insurance Eligibility Requirements (HFAMIERS).

In order to minimize risk MIF enters into third-party reinsurance transactions.

MIF's access to reinsurance may face disruptions, and the terms under which it can obtain reinsurance may become less attractive than in the past. This could be due to volatility and supply constraints in the reinsurance market due to economic conditions, such as higher interest rates resulting in longer loan persistency, increased inflation, higher cost for capital market transactions, global events like natural disasters, and other considerations. MIF is supported by MIPlus®, which serves as a natural risk mitigator and is well received by reinsurers. As such, MIF cannot provide any assurances that future events will not adversely affect the provision and availability of the reinsurance coverages offered to it.

Summarized Financial Information – Statements of Net Position (dollars in thousands)

The table below presents summarized comparative statements of net position of MIF as of June 30:

	Fiscal 2025	Change from 2024		Fiscal 2024	Change from 2023		Fiscal 2023
		\$	%		\$	%	
Assets							
Cash and cash equivalents	\$ 13,162	11,419	655.1%	\$ 1,743	(9,682)	-84.7%	\$ 11,425
Investments	135,912	(1,098)	-0.8%	137,010	12,798	10.3%	124,212
Prepaid reinsurance premiums	4,469	(93)	-2.0%	4,562	(802)	-15.0%	5,364
Other assets	1,046	74	7.6%	972	229	30.8%	743
Total Assets	<u>\$ 154,589</u>	<u>10,302</u>	<u>7.1%</u>	<u>\$ 144,287</u>	<u>2,543</u>	<u>1.8%</u>	<u>\$ 141,744</u>
Liabilities							
Unearned premiums	\$ 8,703	(621)	-6.7%	\$ 9,324	(1,556)	-14.3%	\$ 10,880
Loss reserves	1,062	(57)	-5.1%	1,119	(292)	-20.7%	1,411
Other liabilities	1,910	82	4.5%	1,828	(71)	-3.7%	1,899
Total Liabilities	<u>\$ 11,675</u>	<u>(596)</u>	<u>-4.9%</u>	<u>\$ 12,271</u>	<u>(1,919)</u>	<u>-13.5%</u>	<u>\$ 14,190</u>
Net Position							
Restricted net position	\$ 142,914	10,898	8.3%	\$ 132,016	4,462	3.5%	\$ 127,554
Total Net Position	<u>\$ 142,914</u>	<u>10,898</u>	<u>8.3%</u>	<u>\$ 132,016</u>	<u>4,462</u>	<u>3.5%</u>	<u>\$ 127,554</u>

Discussion of Changes in the Statement of Net Position

Assets

Cash and Cash Equivalents

Cash and Cash Equivalents (dollars in thousands)

	2025	2024	2023
Balance at June 30	\$ 13,162	\$ 1,743	\$ 11,425
\$ increase/(decrease) from prior period	11,419	(9,682)	
% increase/(decrease) from prior year	655%	-85%	

The increase in cash and cash equivalents in FY 2025 was primarily due to operating and investment income. The decrease in cash and cash equivalents in FY 2024 was primarily due to utilizing funds to purchase investments and the \$5 million transfer to the WCF.

Investments

(dollars in thousands)

	2025	2024	2023
Balance at June 30	\$ 135,912	\$ 137,010	\$ 124,212
\$(decrease)/increase from prior period	(1,098)	12,798	
%(decrease)/increase from prior year	-1%	10%	

The primary objectives of investment activity, in order of priority, are safety of principal, liquidity and investment yield. The types of investments permitted under MassHousing's Investment Policy (which is followed by MIF) and the investments held at year end are disclosed in Note C to MIF's financial statements. The decrease in FY 2025 was primarily the result of the maturities of investments in excess of the purchase of

investments. The increase in FY 2024 was primarily the result of the purchase of investments in excess of maturities of investments.

Prepaid Reinsurance Premiums

Prepaid Reinsurance Premiums (dollars in thousands)

	2025	2024	2023
Balance at June 30	\$ 4,469	\$ 4,562	\$ 5,364
\$ (decrease) from prior period	(93)	(802)	
% decrease from prior year	-2%	-15%	

Prepaid reinsurance premiums are the unamortized portion of the reinsurance premiums paid to the reinsurer for single premium policies. The FY 2025 and FY 2024 decreases in prepaid reinsurance premiums were primarily the result of the amortization on the existing policies being greater than the inflow of new policies during the year.

The table below summarizes prepaid reinsurance for the fiscal years ended June 30, 2025, 2024 and 2023, respectively (dollars in thousands):

	FY 2025	FY 2024	FY 2023
Prepaid Reinsurance, beginning of year	\$ 4,562	\$ 5,364	\$ 6,290
New additions	1,234	995	1,461
Amortization	(1,327)	(1,797)	(2,387)
Prepaid Reinsurance, end of year	<u>\$ 4,469</u>	<u>\$ 4,562</u>	<u>\$ 5,364</u>

Liabilities

Unearned Premiums

Unearned Premiums (dollars in thousands)

	2025	2024	2023
Balance at June 30	\$ 8,703	\$ 9,324	\$ 10,880
\$ (decrease) from prior period	(621)	(1,556)	
% decrease from prior year	-7%	-14%	

Unearned premiums are the unamortized balances of the mortgage insurance premiums paid up front to MIF by the lender or the borrower. The single premiums are amortized over the expected life of the loan. Borrower annual premiums are amortized over a twelve-month basis. The FY 2025 and FY 2024 decreases in unearned premiums were the result of the amortization on the existing policies being greater than the inflow of new policies during the year.

The table below summarizes unearned premiums for the fiscal years ended June 30, 2025, 2024 and 2023, respectively (dollars in thousands):

	FY 2025	FY 2024	FY 2023
Unearned Premiums, beginning of year	\$ 9,324	\$ 10,880	\$ 11,502
New additions	1,890	1,927	3,447
Amortization	<u>(2,511)</u>	<u>(3,483)</u>	<u>(4,069)</u>
Unearned Premiums, end of year	<u>\$ 8,703</u>	<u>\$ 9,324</u>	<u>\$ 10,880</u>

Loss Reserves

Loss Reserves (dollars in thousands)

	2025	2024	2023
Balance at June 30	\$ 1,062	\$ 1,119	\$ 1,411
\$ (decrease) from prior period	(57)	(292)	
% decrease from prior year	-5%	-21%	
# of defaults	259	244	250

Loss reserves are an estimate of future paid claims that exist as of the balance sheet date. These loss reserves are based upon MIF's continued review and analysis of the Agency's loan delinquency and default data and consideration of an analysis prepared by an independent consultant overseen by management. The MIF loss reserve balance did not change materially in FY 2025. The FY 2024 decrease in loss reserves was due to both a reduction in the independent consultant's claim frequency rates for defaults and a reduction in defaults. The Agency's independent consultant reviews trends in the Agency's insured loan performance and determined a reduction to claim frequency rates was warranted as of June 30, 2024, given the Agency's claims have continued to be low in the post pandemic timeframe.

Net Position

Changes in Net Position

Restricted net position is that portion of net position upon which constraints have been placed that are either (1) externally imposed by creditors, grantors or laws, regulations of other governments or (2) are imposed by law through constitutional provisions or enabling legislation. The funds and accounts established by MIF are held under an Escrow Agreement between the Agency and the Escrow Agent. Accordingly, all funds and accounts established by MIF are restricted as to their use. Additionally, MIF is subject to various capital requirements under its Escrow Agreement and under HFAMIERS. As of June 30, 2025 and 2024, the most restrictive requirements were the Minimum Required Asset Amount from HFAMIERS as required by Fannie Mae and Freddie Mac. As of June 30, 2023 and prior, the most restrictive requirement was the Required Reserve Balance under its Escrow Agreement, which was based on an S&P model. The S&P model determined the reserve based on the risk of the insured portfolio and ten years of general and administrative expenses. However, S&P updated their capital model to look primarily at premium risk. If certain terms and conditions are met, including the completion, submission, and approval of defined compliance and covenants, MassHousing may direct the Escrow Agent to withdraw from MIF and pay to MassHousing any portion of the amount on deposit in MIF in excess of the Required Reserve Balance.

As of June 30, 2025, 2024, and 2023, MIF had a total net position of \$142.9 million, \$132.0 million, and \$127.6 million, respectively, which is \$92.9 million, \$82.0 million, and \$37.9 million, respectively, in excess of the most restrictive capital requirement at the end of the respective fiscal years, as follows (dollars in millions):

	June 30, 2025	June 30, 2024	June 30, 2023
Capital Requirements:			
HFAMIERS' Minimum Required Asset Balance	\$ 50.0	\$ 50.0	\$ 50.0
Standard & Poor's Required Reserve Balance	11.6	12.4	89.7
The most restrictive capital requirement	50.0	50.0	89.7

Net Position:			
The most restrictive capital requirement	50.0	50.0	89.7
Excess Net Position	92.9	82.0	37.9
Total Net Position	<u>\$ 142.9</u>	<u>\$ 132.0</u>	<u>\$ 127.6</u>

**Total Net Position
(dollars in millions)**

	2025	2024	2023
Balance at June 30	\$ 142.9	\$ 132.0	\$ 127.6
\$ increase from prior period	10.9	4.4	
% increase from prior year	8%	3%	

The increases in both FY 2025 and FY 2024 are primarily due to an increase in investment income.

Summarized Financial Information – Statements of Revenues, Expenses, and Changes in Net Position (dollars in thousands)

The table below presents summarized comparative statements of revenues, expenses, and changes in net position of MIF for the fiscal years ended June 30:

	Fiscal 2025	Change from 2024		Fiscal 2024	Change from 2023		Fiscal 2023
		\$	%		\$	%	
Operating Revenues							
Interest income	\$ 5,324	977	22.5%	\$ 4,347	1,831	72.8%	\$ 2,516
Net increase (decrease) in fair value of investments	3,526	815	-30.1%	2,711	3,558	420.1%	(847)
Net premiums earned	5,630	(119)	-2.1%	5,749	(71)	-1.2%	5,820
Other revenue	1	(3)	-75.0%	4	(7)	-63.6%	11
Total Operating Revenues	<u>\$ 14,481</u>	<u>1,670</u>	<u>13.0%</u>	<u>\$ 12,811</u>	<u>5,311</u>	<u>70.8%</u>	<u>\$ 7,500</u>
Operating Expenses							
Underwriting and administrative expenses	\$ 3,115	(133)	-4.1%	\$ 3,248	(86)	-2.6%	\$ 3,334
Claims paid, net	525	132	33.6%	393	125	46.6%	268
Total Operating Expenses	<u>\$ 3,640</u>	<u>(1)</u>	<u>0.0%</u>	<u>\$ 3,641</u>	<u>39</u>	<u>1.1%</u>	<u>\$ 3,602</u>
Operating Income Before Provision for Loss Reserves							
	<u>\$ 10,841</u>	<u>1,671</u>	<u>18.2%</u>	<u>\$ 9,170</u>	<u>5,272</u>	<u>-135.2%</u>	<u>\$ 3,898</u>
Reduction to provision for loss reserves	\$ 57	(235)	-80.5%	\$ 292	(275)	-48.5%	\$ 567
Operating Income	\$ 10,898	1,436	15.2%	\$ 9,462	4,997	-111.9%	\$ 4,465
Changes in Net Assets							
Transfer to WCF	\$ -	5,000	-100.0%	\$ (5,000)	(5,000)	0.0%	\$ -
Net position at beginning of fiscal year	<u>\$ 132,016</u>	<u>4,462</u>	<u>3.5%</u>	<u>\$ 127,554</u>	<u>4,465</u>	<u>3.6%</u>	<u>\$ 123,089</u>
Net position at end of fiscal year	<u><u>\$ 142,914</u></u>	<u><u>10,898</u></u>	<u><u>8.3%</u></u>	<u><u>\$ 132,016</u></u>	<u><u>4,462</u></u>	<u><u>3.5%</u></u>	<u><u>\$ 127,554</u></u>

Discussion of Operating Results

Reference is made to the statements of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2025, 2024, and 2023 and the year-to-year increases and decreases presented above.

The changes in Operating Income were the result of several major factors that positively or negatively affected Operating Income as described below:

Operating Revenues

Interest Income on Investments

The increase in interest income in FY 2025 was primarily the result of an increase in investments and cash equivalents. The increase in interest income in FY 2024 was primarily due to an increase in investments and higher average returns on investments.

Net Increase in Fair Value of Investments

The increase in the fair value of investments in FY 2025 was primarily due to an increase in investments and

cash equivalents. The increase in the fair value of investments in FY 2024 was primarily due to an increase in investments.

Net Premiums Earned

Net premiums earned represents the gross premiums earned, net of reinsurance premiums expense, in the fiscal year. There was no significant change between FY 2025 and FY 2024.

The table below summarizes the net premiums earned for the fiscal years ended June 30, 2025, 2024 and 2023, respectively (dollars in thousands):

	FY 2025	FY 2024	FY 2023
Gross Premium Income	\$ 11,952	\$ 12,173	\$ 12,177
Reinsurance Expense	(6,322)	(6,424)	(6,357)
Net Premium Income	<u>\$ 5,630</u>	<u>\$ 5,749</u>	<u>\$ 5,820</u>

The table below summarizes the loan portfolio activity for the fiscal years ended June 30, 2025, 2024 and 2023, respectively (dollars in millions):

	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Number of Loans	Balance	Number of Loans	Balance	Number of Loans	Balance
Insurance in force, beginning of year	10,301	\$ 2,608.7	10,062	\$ 2,491.4	9,140	\$ 2,159.9
New loans	1,391	462.3	1,022	339.6	1,757	564.0
Cancelled loans	(926)	(208.9)	(783)	(169.1)	(835)	(181.7)
Amortization	-	(55.6)	-	(53.2)	-	(50.8)
Insurance in force, end of year	<u>10,766</u>	<u>\$ 2,806.5</u>	<u>10,301</u>	<u>\$ 2,608.7</u>	<u>10,062</u>	<u>\$ 2,491.4</u>

Operating Expenses

Underwriting and Administrative Expenses

The decrease in underwriting and administrative expenses in FY 2025 was primarily due to a decrease in service contracts. The decrease in underwriting and administrative expenses in FY 2024 was primarily due to a decrease in IT related direct expenses.

Mortgage Insurance Claims

The following table summarizes the mortgage insurance claims, excluding MIPlus® claims (see separate section below), for FY 2025, FY 2024, and FY 2023 (dollars in thousands):

	Change from 2024			Change from 2023			Fiscal 2023
	Fiscal 2025	\$	%	Fiscal 2024	\$	%	
Mortgage Insurance Claims Paid, gross	\$ 452	\$ 248	122%	\$ 204	\$ (99)	-33%	\$ 303
Mortgage Insurance Claims Recoveries	407	316	347%	91	(88)	-49%	179
Net Mortgage Insurance Claims Paid	<u>\$ 45</u>	<u>\$ (68)</u>	<u>-60%</u>	<u>\$ 113</u>	<u>\$ (11)</u>	<u>-9%</u>	<u>\$ 124</u>
Number of Claims	11			7			6

Delinquencies remained stable in FY 2025 and FY 2024.

MIPlus® Benefits

MIF manages a mortgage payment protection insurance program (MIPlus®). The MIPlus® program pays the borrower's monthly principal and interest requirements, up to a defined cap, for up to six months if the

borrower becomes an “enrolled unemployed,” as defined by the Commonwealth’s unemployment compensation program. This is included as an additional no-cost feature of MIF’s basic insurance policy offered to borrowers. MIPlus® payments are made directly to the borrower’s mortgage loan servicer and are designed to keep the mortgage loan current, avoiding foreclosure, loan loss, and mortgage insurance claims. The U.S. Government Sponsored Enterprises (GSEs) approved the increase of the MIPlus® monthly benefit cap from \$2 thousand to \$4 thousand for all loans with mortgage insurance initially committed on or after July 1, 2024. As of June 30, 2025, 2024, and 2023, 97% of loans for each year, with in force mortgage insurance had in-force MIPlus® mortgage payment protection.

The following table summarizes the claims under the MIPlus® program for FY 2025, FY 2024, and FY 2023 (dollars in thousands):

Benefits	Fiscal 2025	Change from 2024		Fiscal 2024	Change from 2023		Fiscal 2023
		\$	%		\$	%	
Dollars	\$ 480	\$ 200	71%	\$ 280	\$ 136.0	94%	\$ 144
Number	373			210			126
Recipients	94			58			38

MIPlus® claims increased in FY 2025 and FY 2024 primarily due to an increase in unemployment rates.

MassHousing Mortgage Insurance Fund
Statements of Net Position
June 30, 2025 and 2024
In thousands

	June 30, 2025	June 30, 2024
<u>Assets</u>		
Current Assets		
Cash and cash equivalents (Notes B and C)	\$ 13,162	\$ 1,743
Interest receivable	997	930
Investments (Notes B and C)	17,896	26,439
Premium receivables	49	42
Prepaid reinsurance premiums (Notes B and G)	1,118	1,583
Total Current Assets	33,222	30,737
Non-current Assets		
Investments (Notes B and C)	118,016	110,571
Prepaid reinsurance premiums (Note B)	3,351	2,979
Total Non-current Assets	121,367	113,550
Total assets	\$ 154,589	\$ 144,287
<u>Liabilities</u>		
Current Liabilities		
Payable to reinsurers and others	\$ 1,397	\$ 1,687
Due to WCF (Notes B and D)	513	142
Unearned premiums (Note B)	2,077	3,163
Total Current Liabilities	3,987	4,992
Non-current Liabilities		
Loss reserves (Notes B and I)	1,062	1,119
Unearned premiums (Note B)	6,626	6,160
Total Non-current Liabilities	7,688	7,279
Total Liabilities	11,675	12,271
Commitments and Contingencies (Note J)		
<u>Net Position</u>		
Restricted net position (Note B)	142,914	132,016
Total Net Position	\$ 142,914	\$ 132,016

The accompanying notes are an integral part of the financial statements

MassHousing Mortgage Insurance Fund
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024
In thousands

	2025	2024
<u>Underwriting Income</u>		
Premiums	\$ 11,952	\$ 12,174
Reinsurance premiums (Note G)	<u>(6,322)</u>	<u>(6,424)</u>
Net premiums earned (Note B)	5,630	5,750
Claims paid, net (Notes E & H)	(525)	(393)
Underwriting and administrative expenses (Notes B & D)	<u>(3,115)</u>	<u>(3,248)</u>
Net underwriting income	<u>1,990</u>	<u>2,109</u>
<u>Other Income</u>		
Recoveries on promissory notes (Note F)	<u>1</u>	<u>4</u>
<u>Investment Earnings</u>		
Interest income (Note B)	5,324	4,346
Net increase in fair value of investments	<u>3,526</u>	<u>2,711</u>
Total investment earnings, net	<u>8,850</u>	<u>7,057</u>
Operating income before provision for loss reserves	10,841	9,170
Reduction to provision for loss reserves (Notes B and I)	<u>57</u>	<u>292</u>
Operating income	10,898	9,462
Changes in Net Assets		
Transfer to WCF	-	(5,000)
Net position at beginning of fiscal year	<u>132,016</u>	<u>127,554</u>
Net position at end of fiscal year	<u>\$ 142,914</u>	<u>\$ 132,016</u>

The accompanying notes are an integral part of the financial statements

MassHousing Mortgage Insurance Fund
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024
In thousands

	2025	2024
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash flows from operating activities:		
Collections on promissory notes	\$ 1	\$ 4
Premiums collected	11,353	10,715
Reinsurance premiums paid, net	(6,141)	(5,296)
Claims paid	(932)	(488)
Administrative expenses	<u>(2,742)</u>	<u>(3,509)</u>
Net cash provided by operating activities	<u>1,539</u>	<u>1,426</u>
Cash flows from non-capital financing activities:		
Transfer to WCF	<u>-</u>	<u>(5,000)</u>
Net cash used for non-capital financing activities	<u>-</u>	<u>(5,000)</u>
Cash flows from investing activities:		
Purchase of investments	(61,222)	(67,500)
Proceeds from investment maturities	66,198	57,933
Interest income	<u>4,904</u>	<u>3,459</u>
Net cash provided by (used for) investing activities	<u>9,880</u>	<u>(6,108)</u>
Net increase/(decrease) in cash and cash equivalents	11,419	(9,682)
Cash and cash equivalents at beginning of fiscal year	<u>1,743</u>	<u>11,425</u>
Cash and cash equivalents at end of fiscal year	<u><u>\$ 13,162</u></u>	<u><u>\$ 1,743</u></u>

The accompanying notes are an integral part of the financial statements

MassHousing Mortgage Insurance Fund
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2025 and 2024
In thousands

	2025	2024
<u>Reconciliation of operating income to net cash provided by operating activities</u>		
Operating income	\$ 10,898	\$ 9,462
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of reinsurance premiums	1,327	1,798
Amortization of premiums	(2,511)	(3,489)
Reduction to provision for loss reserves	(57)	(292)
Interest income	(5,324)	(4,347)
Decrease in fair value of investments	(3,526)	(2,711)
Change in assets and liabilities:		
(Increase) decrease in premiums receivable	(8)	138
Increase in prepaid reinsurance premiums	(1,233)	(995)
(Decrease) increase in payable to reinsurers and others	(290)	207
Increase (decrease) in amounts due to WCF	372	(278)
Increase in unearned premiums	1,891	1,933
Total adjustments	<u>(9,359)</u>	<u>(8,036)</u>
Net cash provided by operating activities	<u>\$ 1,539</u>	<u>\$ 1,426</u>

X

The accompanying notes are an integral part of the financial statements

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

Note A. Fund Description and Recent Events

In June 1988, the Massachusetts Housing Finance Agency (MassHousing or the Agency) established the Massachusetts Housing Loan Loss Reserve Fund within the Agency's Working Capital Fund under an escrow agreement last amended on June 21, 2010 between the Agency and U.S. Bank National Association. In October 2003, the Fund's name was changed to MassHousing Mortgage Insurance Fund (MIF). MIF's net position is presented as restricted net position within the Agency's Working Capital Fund. MIF was created in response to the Agency's assessment and determination that insurance provided by private mortgage insurers was not available at prices and with terms and conditions consistent with the requirements of the Agency's single-family loan programs.

At times, MassHousing's Board of Directors may elect to contribute cash to MIF in order to stabilize MIF's insurance capacity.

All fees, charges, and premiums collected from borrowers, as well as all investment income, are deposited into MIF accounts. All mortgage insurance claims and costs associated therewith and all administrative expenses incurred by MassHousing in connection with the administration of MIF are payable by MIF. The liability of MassHousing for insurance losses on loans to which MIF has extended mortgage insurance coverage is solely limited to the balance on deposit in MIF at the time of the claim. Mortgage insurance coverage does not constitute a general obligation of MassHousing, and losses are not payable from any funds or accounts of MassHousing, under the SFHRB Resolution, or otherwise, other than funds from the MIF.

Under the terms of the escrow agreement, MIF may not issue any mortgage insurance policy for a loan, nor make any commitment for a policy, if it is determined that MIF's capital is not sufficient to satisfy the capital adequacy requirements of both Standard & Poor's Rating Services (S&P) and Moody's Investors Service, Inc. (Moody's) necessary to maintain the Agency's credit rating and the credit ratings on the Agency's outstanding bonds based on reserve models provided by such rating agencies.

MIF is subject to the Housing Finance Agency Mortgage Insurer Eligibility Requirements (HFAMIERS), which became applicable to MIF on March 31, 2022. The HFAMIERS establish the requirements that a housing finance agency mortgage insurance fund must meet to be an approved insurer eligible to write mortgage guaranty insurance selected by a mortgage enterprise, for mortgages acquired by Fannie Mae and Freddie Mac. MIF is required to maintain a number of Business and Financial requirements, including a minimum required asset amount of \$50 million.

MIF operates separately and independently from the Agency's Home Ownership loan program's origination and monitoring operations. MIF currently derives all its business from either MassHousing or MassHousing's approved lender network.

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

Note B. Summary of Significant Accounting Policies

Basis of Presentation

MIF's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting

MIF accounts for and reports its activities by applying Standards of Governmental Accounting and Financial Reporting, as promulgated by the Governmental Accounting Standards Board (GASB). The statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting, wherein revenues are recognized when earned, and expenses when incurred.

Operating revenues and expenses generally result from providing services in connection with MIF's ongoing operations. The principal operating revenues of MIF are insurance premiums and investment earnings. Operating expenses consist of reinsurance expense, underwriting and administrative expenses, and claims expense. All items of revenue and expense are classified as operating.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events, historical experience, actions that MIF may undertake in the future, and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Significant estimates are more fully described in the applicable following notes.

Cash and Cash Equivalents

Cash includes amounts in checking and savings accounts.

Cash equivalents include investments with maturities of three months or less when acquired, and consist of money-market mutual fund shares. MIF's principal money-market type mutual fund is the First American Government Obligations Money Market Fund.

Investments and Investment Earnings

Investments are carried at fair value, unless they are purchased with maturities of one year or less, in which case they are carried at amortized cost, which approximates fair value. For investments carried at their fair values at the Statement of Net Position date, MIF uses quoted market prices, where available, to determine the fair value of long-term investments at the close of each reporting period. For non-trading long-term investments, if any, MIF uses composite quotes set by a third party and evaluated by management. The change in fair value of those investments from one period to the next is a separately stated component of investment earnings and is separately disclosed in the Statement of Revenues, Expenses, and Changes in Net Position. Investment earnings are accrued as earned.

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

Restricted Net Position

Restricted net position is that portion of net position upon which constraints have been placed that are either (1) externally imposed by creditors, grantors or laws, regulations of other governments or (2) are imposed by law through constitutional provisions or enabling legislation. The funds and accounts established by MIF are held under an Escrow Agreement between the Agency and the Escrow Agent. Accordingly, all funds and accounts established by MIF are restricted as to their use. Additionally, MIF is subject to various capital requirements under its Escrow Agreement and under HFAMIERS. As of June 30, 2025 and 2024, the most restrictive requirement is the Minimum Required Asset Amount from HFAMIERS, as required by Fannie Mae and Freddie Mac. As of June 30, 2023 and prior, the most restrictive requirement was the Required Reserve Balance under its Escrow Agreement, which was based on an S&P model. The S&P model determined the reserve based on the risk of the insured portfolio and ten years of general and administrative expenses. However, S&P updated their capital model, to look primarily at premium risk. If certain terms and conditions are met, including the completion, submission, and approval of defined compliance and covenants, MassHousing may direct the Escrow Agent to withdraw from MIF, and pay to MassHousing any portion of the amount on deposit in MIF in excess of the Required Reserve Balance.

Premiums Earned and Unearned

Single premium (borrower paid and lender paid) mortgage insurance premiums are recorded as income on a pro-rata basis during the expected average life of the related loan. The expected average life is equivalent to the average expected policy period. Annual mortgage insurance premiums are recorded as income on a pro-rata-basis over twelve months. Unearned premiums represent the portion of premiums written which are applicable to the expected unexpired terms of policies in force. Policy premiums paid by the borrower are given the option to choose either a single or a monthly premium payment. Borrower paid single premiums and borrower paid annual premiums are paid at the beginning of the policy period and are recorded as income on a pro-rata basis over the expected life and year term, respectively.

Lender Paid Mortgage Insurance (LPMI)

In fiscal year 2014, MIF commenced the LPMI program. Through this program, the cost of mortgage insurance is paid up-front to MIF by the lender, with a single premium rather than spreading it out in monthly payments over the life of the loan. This cost is offset by a higher interest rate on the mortgage, compared to a loan with Borrower Paid Mortgage Insurance (BPMI). Even with the higher rate, the LPMI generally results in a lower monthly payment for the borrower for the first several years of the loan, and still provides MassHousing's signature MIPlus® unemployment benefit protection that pays a borrower's monthly principal and interest payment, up to a defined cap, for up to six months if the borrower becomes unemployed.

Prepaid Reinsurance Premiums

Prepaid reinsurance premiums are the unamortized portion of the reinsurance premiums paid to the reinsurer. The premiums paid are being amortized over the expected average life of the related loans, which ranges from 6 to 10 years, depending on the policy.

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

Administrative Expenses / Related Party Transactions

MassHousing allocates overhead expenses, including payroll, payroll related, rent and other operating costs to MIF. Because of the relationship between MassHousing and MIF, it is possible that the allocation is different from what it would be in an arm's length transaction.

Loss Reserves and Provision for Losses

The loss reserves are a valuation allowance that reflects an estimate of insurance claim losses related to MIF's insured portfolio. An evaluation is performed which takes into consideration such factors as delinquency and default data, claims experience, reinsurance policies in place, and settlement expenses. MIF updates the loss reserve estimate on a quarterly basis and records a provision for loss reserves, as considered necessary.

Note C. Cash, Cash Equivalents, and Investments

MIF follows MassHousing's approved Investment Policy. This policy is designed to ensure the prudent management of funds and the availability of operating and capital funds when required, while earning a competitive return within the policy framework. The primary objectives of investment activity, in order of priority, are safety of principal, liquidity, and investment yield.

Under MassHousing's approved Investment Policy, adopted April 13, 2021, authorized investments may include:

- (1) U.S. Treasury/U.S. Government Guaranteed Obligations
- (2) Federal Agency or U.S. government sponsored enterprises (GSE) obligations
- (3) Agency or GSE Mortgage-Backed Securities (MBS)
- (4) U.S. Instrumentalities (Supranationals) – U.S. dollar denominated debt obligations of a multilateral organization of governments for which the United States government is a participant, shareholder, and/or voting member with minimum ratings of AAA/Aaa (or the equivalent) or A-1/P-1 (or the equivalent) by any one rating agency.
- (5) Municipal Bonds – Minimum ratings of A-/A3 (or the equivalent) or SP-1/MIG 1 (or the equivalent) by any one rating agency.
- (6) Corporates and Other Debt Obligations – Minimum ratings of A-/A3 (or the equivalent) or A-1/P-1 (or the equivalent) by any one rating agency.
- (7) Commercial Paper – Minimum ratings of A-1/P-1 (or the equivalent) by any one rating agency.
- (8) Asset-Backed Securities - Minimum ratings of AAA/Aaa (or the equivalent) or A-1+/P-1 (or the equivalent) by any one rating agency.
- (9) Bankers' Acceptances - Minimum ratings of A-1/P-1 (or the equivalent) by any one rating agency.
- (10) Negotiable Bank Deposit Obligations - Minimum ratings of A-/A3 (or the equivalent) or A-1/P-1 (or the equivalent) by any one rating agency.
- (11) Collateralized Bank Deposits
- (12) Insured Bank Deposits
- (13) Money Market Funds – Maintain the highest rating at the time of investment from Standard & Poor's or Moody's, or the equivalent from a nationally-recognized statistical rating organization.
- (14) Participation units of the Massachusetts Municipal Depository Trust (MMDT)

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

- (15) Repurchase agreements - The counterparty maintains a short-term credit rating of at least A-1/P-1 (or the equivalent) by any one rating agency and has been in operation for at least five years.
- (16) Investment agreements or guaranteed investment contracts (GIC) - Minimum ratings of at least AA-/Aa3 (or the equivalent) from any one rating agency. Short-term investment agreements with durations of less than three years may be entered into with companies that have a short-term rating of at least SP-1/VMIG1/F1 (or the equivalent) from any one rating agency.
- (17) Any other investments expressly permitted by Commonwealth statute and authorized by MassHousing.

MIF's investment balances are maintained in order to meet the capital adequacy reserves required to underwrite mortgage insurance risk. See Note J, Commitments and Contingencies, for more information.

At June 30, 2025, MIF had the following investments and cash equivalents and their maturities (in thousands):

	<u>Investment Maturities (in Years)</u>				
	Total Cost, Amortized Cost or Fair Value	Less Than 1	1-5	6-10	More Than 10
Corporate Obligations	\$ 60,649	\$ 8,039	\$ 52,610	\$ -	\$ -
GSE MBS and Obligations	26,782	3,174	19,318	2,478	1,812
U.S. Treasuries	21,929	2,008	19,921	-	-
Asset-Backed Securities	21,877	-	20,669	1,208	-
Cash Equivalents	13,125	13,125	-	-	-
Commercial Paper	2,531	2,531	-	-	-
Government Guaranteed Obligations	2,144	2,144	-	-	-
Total Investments and Cash Equivalents	\$ 149,037	\$ 31,021	\$ 112,518	\$ 3,686	\$ 1,812

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

At June 30, 2024, MIF had the following investments and cash equivalents and their maturities (in thousands):

	<u>Investment Maturities (in Years)</u>				
	Total Cost, Amortized Cost or Fair Value	Less Than 1	1-5	6-10	More Than 10
Corporate Obligations	\$ 57,928	\$ 9,472	\$ 48,456	\$ -	\$ -
GSE MBS and Obligations	32,215	11,255	18,128	2,375	457
U.S. Treasuries	24,645	992	23,653	-	-
Asset-Backed Securities	15,445	-	15,445	-	-
Government Guaranteed Obligations	4,258	2,201	2,057	-	-
Commercial Paper	2,519	2,519	-	-	-
Cash Equivalents	1,657	1,657	-	-	-
Total Investments and Cash Equivalents	<u>\$ 138,667</u>	<u>\$ 28,096</u>	<u>\$ 107,739</u>	<u>\$ 2,375</u>	<u>\$ 457</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Under the Investment Policy, in order to minimize interest rate risk, the investment portfolio is structured so that the maturities of the investments are scheduled to meet the timing of cash requirements for ongoing operations. MIF thereby avoids the need to sell investments on the open market prior to their maturity. Interest rate risk is also minimized by investing operating funds primarily in money-market funds that are backed with U.S. Treasury obligations and/or in the MMDT.

Credit Risk and Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, MIF will not be able to recover the value of its investment from the custodian.

MIF mitigates credit risk and custodial credit risk by limiting investments to those permitted by the approved Investment Policy and investing or entering into custodial arrangements with institutions which meet the specified criteria such as, but not limited to, minimum levels of capital, surplus, and specified minimum ratings by recognized rating agencies.

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

MIF had the following money-market fund investments as of June 30, 2025 and 2024 for which credit ratings had been issued (dollars in thousands):

Money Market Fund	June 30, 2025		June 30, 2024	
	Amount	S&P Rating	Amount	S&P Rating
First American Government Obligation Money Market Fund	\$ 10,011	AAAm	\$ 1,657	AAAm
Total Money Market Funds	<u>\$ 10,011</u>		<u>\$ 1,657</u>	

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of MIF’s investment in a single issuer. MIF diversifies its investment portfolio to minimize the impact of potential losses from one type of security or individual issuer, excluding U.S. Treasuries, GSEs, and the MMDT. When making new investment decisions, MIF seeks to limit new investment concentration to no more than approximately 15% with any single counterparty. This limit may be exceeded under appropriate circumstances that mitigate risk, which may include, but are not limited to, the short term of the investment, the amount and nature of the investment, the rating of the counterparty, or the amount of collateral pledged by the counterparty.

Cash Deposits

Cash balances on the Statement of Net Position as of June 30, 2025 and 2024 were approximately \$37 thousand and \$86 thousand, respectively. These balances were fully insured by the Federal Deposit Insurance Corporation (FDIC) (see Note B).

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or, if none exists, the most advantageous market, for the specific asset or liability at the measurement date (“exit price”). The fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value is as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

MIF has the following recurring fair value measurements as of June 30, 2025 and June 30, 2024:

- U.S. Treasuries purchased with an initial maturity of more than one year are valued using quoted market prices for identical instruments (Level 1 inputs)
- U.S. Treasuries purchased with an initial maturity of one year or less are recorded at amortized cost, which approximates fair value (Level 2 inputs)
- GSE MBS and Obligations are valued using quoted market prices for similar instruments (Level 2 inputs)
- Government Guaranteed Obligations purchased with an initial maturity of more than one year are valued using quoted market prices for similar instruments (Level 2 inputs)
- Government Guaranteed Obligations purchased with an initial maturity of one year or less are recorded at amortized cost, which approximates fair value (Level 2 inputs)
- Negotiable Bank Debt Obligations with an initial maturity of more than one year are valued using quoted market prices for similar instruments (Level 2 inputs)
- Negotiable Bank Debt Obligations with an initial maturity of one year or less are recorded at amortized cost, which approximates fair value (Level 2 inputs)
- Corporate Obligations are valued using quoted market prices for similar instruments (Level 2 inputs)
- Commercial Paper is valued using amortized cost, which approximates fair value (Level 2 inputs)
- Asset-Backed Securities are valued using quoted market prices for similar instruments (Level 2 inputs)

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

MIF had the following Investments, which are measured at fair value as of June 30, 2025 (dollars in thousands):

Investment Measured at Fair Value

(in thousands)

June 30, 2025	Total Fair Value <u>06/30/25</u>	Quoted Prices in Active Markets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Investments by fair value level				
Debt securities				
Corporate Obligations	\$ 60,649		\$ 60,649	
GSE MBS and Obligations	26,782		26,782	
U.S. Treasuries	21,929	\$ 21,929		
Asset-Backed Securities	21,877		21,877	
Commercial Paper	2,531		2,531	
Government Guaranteed Obligations	2,144		2,144	
Total Debt Securities	\$ 135,912	\$ 21,929	\$ 113,983	\$ -

MIF had the following Investments, which are measured at fair value as of June 30, 2024 (dollars in thousands):

Investment Measured at Fair Value

(in thousands)

June 30, 2024	Total Fair Value <u>06/30/24</u>	Quoted Prices in Active Markets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Investments by fair value level				
Debt securities				
Corporate Obligations	\$ 57,928		\$ 57,928	
GSE MBS and Obligations	32,215		32,215	
U.S. Treasuries	24,645	\$ 24,645		
Asset-Backed Securities	15,445		15,445	
Government Guaranteed Obligations	4,258		4,258	
Commercial Paper	2,519		2,519	
Total Debt Securities	\$ 137,010	\$ 24,645	\$ 112,365	\$ -

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

Note D. Allocated Administrative Expenses

Overhead expenses allocated to MIF by the Agency were approximately \$1.3 million in both FY 2025 and FY 2024. The interfund payable due to the WCF at June 30, 2025 and 2024 was \$513 thousand and \$142 thousand, respectively.

Note E. Claims Paid, Net

Claims paid, net represents mortgage insurance claims paid plus MIPlus® benefits paid, less claim recoveries from third party reinsurers. For FY 2025, MIF had total mortgage insurance claims paid plus MIPlus® benefits of approximately \$932 thousand and mortgage insurance claim recoveries totaling approximately \$407 thousand, yielding net claims of approximately \$525 thousand. For FY 2024, MIF had total mortgage insurance claims paid plus MIPlus® benefits of approximately \$484 thousand and mortgage insurance claim recoveries totaling approximately \$91 thousand, yielding net claims of approximately \$393 thousand.

Note F. Promissory Notes

When a claim is paid out as a result of granting a short-sale transaction to a borrower, MIF requests that the borrower assume responsibility for the unpaid mortgage loan balance at the time of the short-sale, or some other agreed upon amount, by signing an uncollateralized promissory note. Due to the risky nature of these loans, a reserve allowance for 100% of the amount of the note is recorded at the time of its issuance. Notes outstanding as of June 30, 2025 and 2024 were \$1 thousand and \$2 thousand, respectively. Recoveries on promissory notes during FY 2025 and FY 2024 were \$1 thousand and \$4 thousand, respectively.

Note G. Reinsurance Contracts

MIF has reinsurance arrangements with independent insurers to provide greater diversification of risk, minimize exposures on large losses, and allow MIF to access increased limits of liability. MIF regularly evaluates the financial condition of its reinsurers and monitors the counterparty risk to minimize significant exposure. Although reinsurance agreements contractually obligate MIF's reinsurers to reimburse it for their proportionate share of losses, they do not discharge MIF's primary responsibility to pay the loss claim.

MassHousing, on behalf of the MIF, has entered into reinsurance agreements with Mortgage Guaranty Insurance Corporation (MGIC), United Guaranty Residential Insurance Corporation (UG), Enact Mortgage Insurance Corporation (EMIC), and Gallagher Re Inc., acting as a broker for Aspen American Insurance Company, Essent Reinsurance Ltd., Everest Reinsurance Company, Insurance Company of the West, Lancashire Insurance Company Limited, Markel Bermuda Limited, Markel Global Reinsurance Company, Partner Reinsurance Europe SE (Zurich Branch), Partner Reinsurance Company of the U.S. and Renaissance Reinsurance Limited. These agreements provide reinsurance of MassHousing's Home Ownership loans and, in certain cases, other conventional mortgage loans purchased by MassHousing. These loans were made to persons and families of low- and moderate-income in Massachusetts one-to-four-unit, owner-occupied residential dwellings. These loans were purchased from participating mortgage lenders, originated by MassHousing sourced through mortgage brokers, as well as obtained through the purchase of bank portfolio loans held by Massachusetts banks. Effective January 1, 2024, MassHousing, on behalf of MIF, renewed its reinsurance contract (contract) with Gallagher RE, acting as broker for the agreements with subscribing reinsurers, through December 31, 2025. The contract can be extended for the period January 1, 2026 through

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

December 31, 2026, with the mutual agreement of MassHousing and Gallagher RE. The terms of the contract are similar to the Agency's previous reinsurance contracts.

Under each agreement, MIF retains a 10% share of the insurance coverage written on any reinsured loan and the reinsurer reinsures the remaining 90% of the coverage. In addition to MIF's 10% quota share, MIF receives a ceding commission ranging from 20% to 37% of the reinsurance premiums paid under the MGIC, UG, EMIC and Gallagher Re agreements. The first contract with EMIC includes an excess of loss coverage which costs 1.7% of the gross written premium. The net benefits to MIF under the agreements are likely to range from 26.3% to 43.3% of the premiums for the assumption of 10% of the mortgage risk. Under certain circumstances, MIF may be due additional commissions contingent upon reinsurer operational results.

The following table summarizes the MIF reinsurance balances and insurance in force at June 30, 2025 and 2024 (dollars in millions):

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Gallagher RE	\$ 2,055	\$ 1,898
EMIC	22	25
MGIC	4	6
UG	3	3
Reinsurers 90% share of reinsurance coverage	2,084	1,932
MIF 10% share of reinsurance coverage	232	215
MIF 100% share of insurance coverage	491	462
Total insurance in force	<u>\$ 2,807</u>	<u>\$ 2,609</u>

Reinsurance Credit Risk

Reinsurance credit risk is the risk that an issuer or other counterparty to a mortgage reinsurance contract will not be able to fulfill its obligations.

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

Concentration of Reinsurance Credit Risk

Concentration of reinsurance credit risk is the risk of loss attributed to the magnitude of MIF's reinsurance activity with a single underwriter. MIF diversifies its reinsurance activity to minimize the impact of potential losses from one individual issue

As of June 30, 2025 and 2024, the amounts reinsured were as follows (dollars in thousands):

Concentration of Reinsurance Credit Risk

	June 30, 2025			June 30, 2024		
	Reinsurance	% of	S&P	Reinsurance	% of	S&P
	Amount	Total	Ratings	Amount	Total	Ratings
Everest Reinsurance Company	\$ 1,119,962	53.7%	A+	\$ 1,108,436	57.4%	A+
Aspen American Insurance Company	324,955	15.6%	A-	255,020	13.2%	A-
Insurance Company of the West ²	162,478	7.8%	A	127,510	6.6%	A
Partner Reinsurance Company of the U.S.	128,230	6.2%	AA-	144,021	7.5%	A+
Markel Global Reinsurance Company	104,830	5.0%	A	113,624	5.9%	A
Markel Bermuda Limited	61,683	3.0%	A	14,858	0.8%	A
Partner Reinsurance Europe SE	60,793	2.9%	AA-	112,725	5.8%	A+
Renaissance Reinsurance Ltd	34,589	1.7%	A+	8,332	0.4%	A+
Essent Reinsurance Ltd	28,824	1.4%	A-	6,943	0.4%	A-
Lancashire Insurance Company Ltd	28,824	1.4%	A-	6,943	0.4%	A-
Enact Mortgage Insurance Corporation	21,975	1.1%	A-	24,500	1.3%	A-
Mortgage Guaranty Insurance Corporation	4,428	0.2%	A-	5,927	0.3%	A-
United Guaranty Residential Insurance Corporation	2,766	0.1%	AA-	3,064	0.2%	A+
Total Reinsurance	<u>\$ 2,084,337</u>	<u>100.0%</u>		<u>\$ 1,931,903</u>	<u>100.0%</u>	

² Not rated by S&P, rate reflected is from A.M. Best

Note H. MIPlus®

In addition to providing traditional mortgage insurance coverage, MIF also provides under its MIPlus® program, additional mortgage payment protection on new loans insured on or after July 1, 2004. The MIPlus® program pays the borrower's monthly mortgage principal and interest requirements, up to a defined cap, for up to six months if the borrower becomes an "enrolled unemployed," as defined by the Commonwealth's unemployment compensation program. MIPlus® payments are made directly to the borrower's mortgage loan servicer and are designed to keep the mortgage loan current, avoiding foreclosure, loan loss, and mortgage insurance claims. The U.S. Government Sponsored Enterprises (GSEs) approved the increase of the MIPlus® monthly benefit cap from \$2 thousand to \$4 thousand for all loans with mortgage insurance initially committed on or after July 1, 2024. MIF paid 373 MIPlus® claims for a total of \$480 thousand during FY 2025 and 210 MIPlus® claims for a total of \$280 thousand during FY 2024. Such amounts are included in total claims expenses, as noted in Note E.

Note I. Loss Reserves

Loss reserves are determined by a review and analysis of loan delinquencies and claims reported, in addition to an estimate of claims incurred but not yet reported, reinsurance policies in place, and settlement expenses. These reserves are based on the experience of MIF's existing

MassHousing Mortgage Insurance Fund
Notes to Financial Statements
June 30, 2025 and 2024

insurance portfolio, taking into consideration an analysis prepared by an independent consultant overseen by management and the Agency's existing single-family mortgage loan portfolio and current standard industry derived delinquency and default data. Loss reserves are after applying loss coverage of the reinsurers. Loss reserves are periodically reviewed and updated, and any required adjustments are reflected in the current provision for potential losses.

The table below summarizes the changes in the loss reserve balance for the fiscal years ended June 30, 2025 and June 30, 2024 (dollars in thousands):

<u>Loss Reserves</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Beginning Balance	\$ 1,119	\$ 1,411
Increase (Decrease)	(57)	(292)
Ending Balance	<u>\$ 1,062</u>	<u>\$ 1,119</u>

Actuarial estimates are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. Analysis of future operating results involves estimates of future contingencies. The estimates make no provision for extraordinary future emergence of new classes of losses not sufficiently represented in MIF's historical databases, or that are not yet quantifiable.

Differences between estimates and actual results depend on the extent to which future experience conforms to the assumptions made for the analysis. It is likely that actual experience will not conform exactly to the assumptions to be used in the analysis. Actual amounts could differ from projected amounts.

Note J. Commitments and Contingencies

Capital Requirements

MIF is subject to various capital requirements under its Escrow Agreement and under HFAMIERS. On June 30, 2025 and 2024, the most restrictive requirement was the Minimum Required Asset Amount from HFAMIERS, as required by Fannie Mae and Freddie Mac. If certain terms and conditions are met, including the completion, submission, and approval of defined compliance and covenants, MassHousing may direct the Escrow Agent to withdraw from MIF and pay to MassHousing any portion of the amount on deposit in MIF in excess of the Required Reserve Balance. On June 30, 2025 and 2024, the requirement was \$50.0 million for both years.

Note K. Events Subsequent to June 30, 2025

MIF has performed an evaluation of subsequent events and transactions from June 30, 2025 through September 19, 2025, the date the financial statements were available to be issued. MIF has determined that there were no material events or transactions that would require disclosure in the financial statements through this date.