

# COVID-19 EMMA Filings

## **MassHousing**

Management Innovation: Financial

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**Management Innovation – Financial**

As the realities of a statewide lockdown in the Commonwealth of Massachusetts began in March of 2020, it was difficult to identify what the long-term repercussions of the COVID-19 pandemic would be. MassHousing immediately turned its attention not only to Agency's financial position – but to a consideration of how it might best represent that position to the bond market.

MassHousing began to explore its options to keep the market advised of the effects of the pandemic on its operations. Typically, because MassHousing is in the market regularly it has been the Agency's practice to prepare quarterly Information Statements with our bond offering documents. This is more than some agencies may have a need to do, but it has been a successful practice that has placed MassHousing at the forefront of investor disclosure with postings on both the Electronic Municipal Market Access (EMMA) and our website. EMMA is a free website that provides investors with key information about municipal bonds. As most HFAs know, the information that is available on this site includes: municipal disclosure documents, including a bond's Official Statement, as well as annual financial reports, audited financial statements, material event notices and other continuing disclosures such as any ratings changes, principal and interest payment delinquencies and non-payment related defaults.

While this is a great deal of information that is provided, MassHousing staff believed that there were still elements of the Agency's business operations that were not known to investors – but that would play an important role in the Agency's ability to manage the current COVID environment and any financial impacts this could have on the Agency. One example is the Agency's mortgage insurance program known as MI Plus. Developed in 2004, MI Plus is available at no additional cost to all MassHousing borrowers as part of their mortgage insurance. It pays the principal and interest on a borrower's mortgage for up to six months if they lose their job during the first 10 years of a mortgage term. Obviously, the Agency knew that this would be important information for investors but there were a lot of unknowns in the early days about how this would actually manifest itself.

The question became how to present the more detailed information on MassHousing's programs which were likely to be changing quickly as the pandemic progressed. If too much granular information was provided in a quarterly statement – it might then require multiple supplements to be filed every time a small fact changed. This would prove cumbersome, both for staff in terms of preparation and also for investors who would have to sift through information coming in different vehicles.

Working with its disclosure counsel (Hawkins, Delafield and Wood), its multi-family bond counsel (Mintz Levin), and its single-family bond counsel (Locke Lord), a plan was developed to create a voluntary EMMA filing monthly which would set out arrearages, defaults and forbearance requests for the previous month. This filing includes detailed information for both MassHousing's

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Homeownership and Rental Bond programs and information about MassHousing’s Mortgage Insurance Fund, including claims under the Agency’s MI Plus program and traditional mortgage insurance, as well as fund balances for the Mortgage Insurance Fund. It is important to note that these COVID filings were voluntary and not mandatory specifically because they were informational in nature and the information that was included was not “material” enough to require the Agency to do this. Rather, this was something the Agency chose to do in order to inform and update investors.

After several working drafts and collaboration among staff members from MassHousing’s Finance, Legal, Home Ownership, Rental Lending and Mortgage Insurance Fund, the first voluntary EMMA filing was made on April 17, 2020. Since then, the working group team has prepared monthly filings and monitored developments which might otherwise have merited interim updates. Since August of 2020, the team has also diligently reviewed the history of loans in forbearance and any changes in status. While the team has not found those changes to be significant enough to merit inclusion in the monthly filings, the compilation of that information is still part of the monthly review process and is a good diligence practice especially during the ongoing pandemic. Starting with the filing for March of 2021, the form of the filing was updated to include a two-year look back for certain statistical information, so that readers may compare data from pre-pandemic periods.

When MassHousing has been in the bond market over the last year, the Agency has incorporated by reference the most recent EMMA filing, prior to the bond sale, into its Official Statement. MassHousing received strong, positive feedback from all of the rating agencies, who specifically noted that this was a good practice for an Agency like MassHousing and that it represented a good disclosure effort. Beyond that, the Agency’s investment bankers have told us that they forwarded MassHousing’s filing to other issuers and asked them to duplicate it for their disclosures.

These monthly filings have had the added benefit of providing a strong platform for reports to the MassHousing Board at the Agency’s monthly Board Meeting. Included with this application are three slides from the April 2021 Board Meeting along with a copy of the monthly EMMA filing. This illustrates how these two reports effectively dovetail to ensure that bondholders understand MassHousing’s position in the market – and that Board members are able to review this same information in real time.

Because of the great success of these filings in maintaining full transparency for MassHousing, investors have been confident in their purchase of MassHousing bonds over the last 13 months. We have also heard from our investment bankers that other HFAs have replicated our approach. The Agency has decided to continue these voluntary monthly filings for the foreseeable future.



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# MassHousing Finance Presentation

April 2021

# PIPELINE + PAYOFFS

## HOME OWNERSHIP

### PORTFOLIO

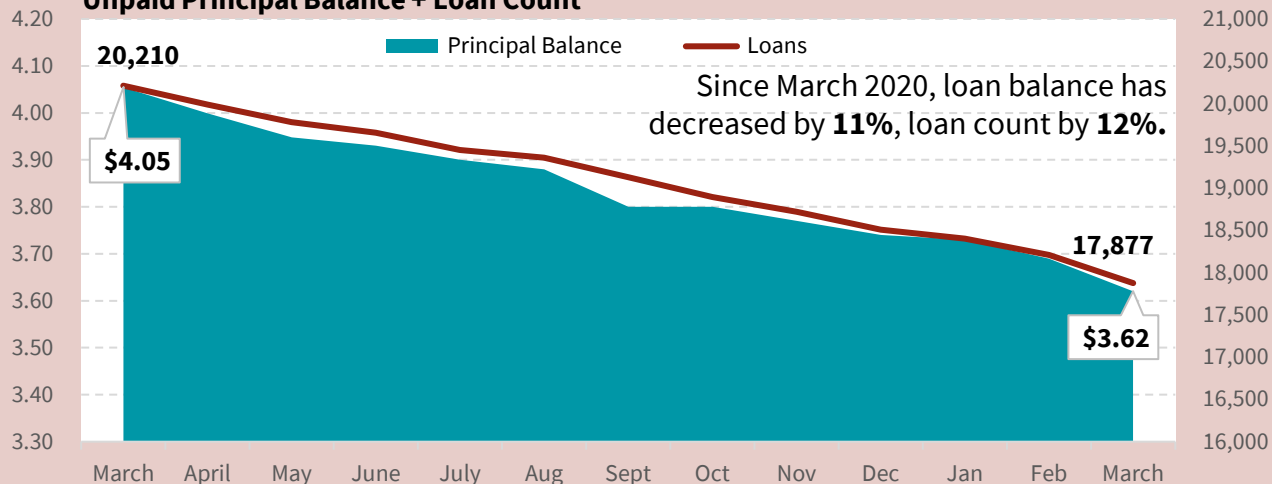
**\$3.6 billion**

Unpaid principal balance

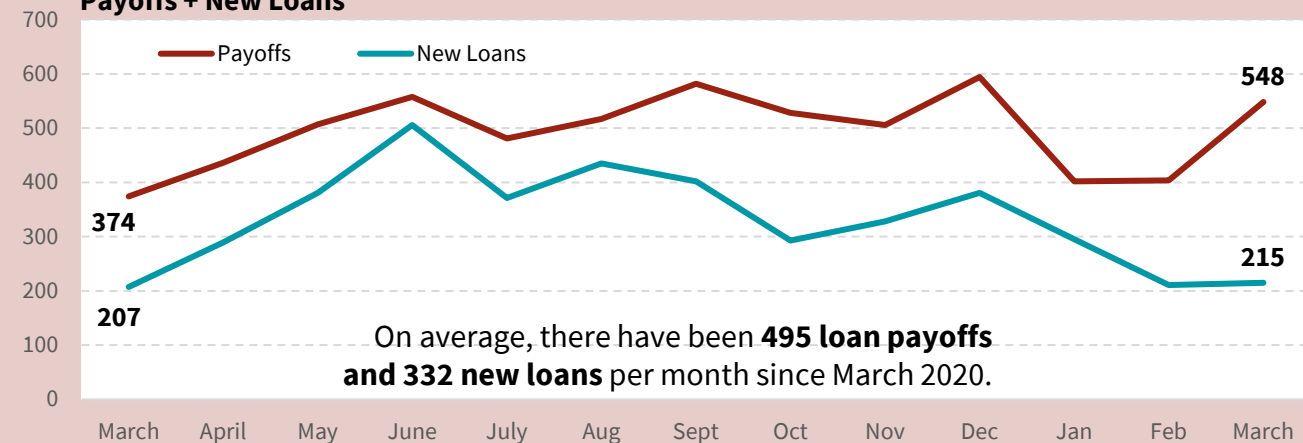
**17,877**

Active 1<sup>st</sup> Mortgages

### Unpaid Principal Balance + Loan Count



### Payoffs + New Loans



## DELINQUENCIES (30 days)

# 1,435

Delinquent loans  
8.03% of portfolio

# \$291 mm

Total outstanding principal balance

## MI PLUS

# 63 claims

1,289 claims since March 17, 2020

# \$74,000

MI Plus claim amount

\$1.27 million in aggregate  
payments since March 17, 2020

# 132 million

Aggregate **cash + investment**  
**balance** of the **Mortgage**  
**Insurance Fund**

## FORBEARANCES

# 1,174

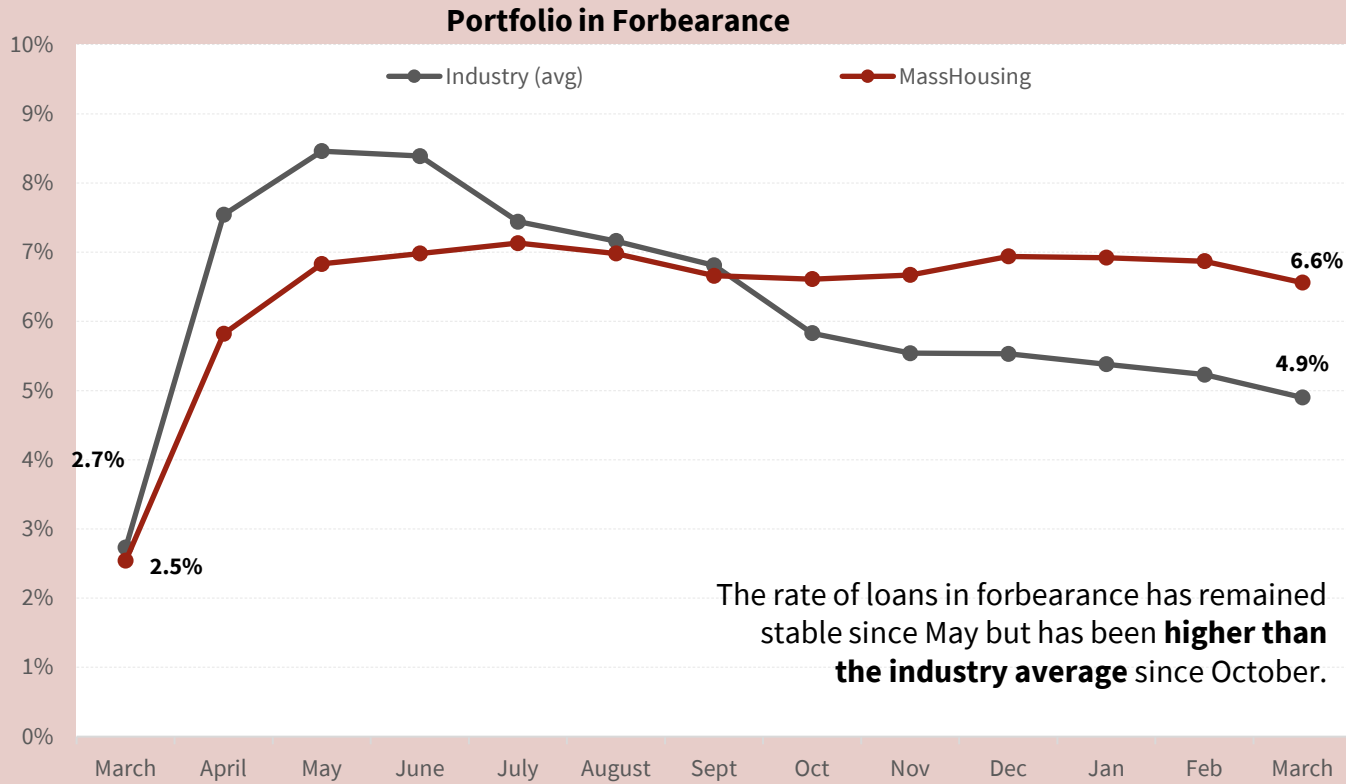
Loans in forbearance  
6.57% of portfolio

# \$3.9 mm

Outstanding advances for tax  
and insurance payments

# \$247 mm

Total outstanding principal balance



# MULTIFAMILY

## PORTFOLIO

**\$4.7 billion**

Outstanding principal balance

**397**

Developments w/ **outstanding principal balance**

**254**

Developments w/ **risk share insurance**

**\$2.6 billion**

Outstanding principal balance of **risk share loans**

## DELINQUENT OR IN FORBEARANCE

**1** Development delinquent

**\$5.2 million**

Outstanding balance of loans

**0.3%** Of total loans in portfolio

**0** Loans in forbearance

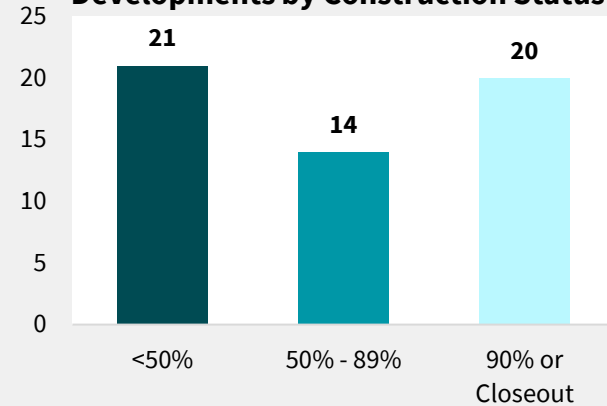
## CONSTRUCTION

**55** Developments under construction

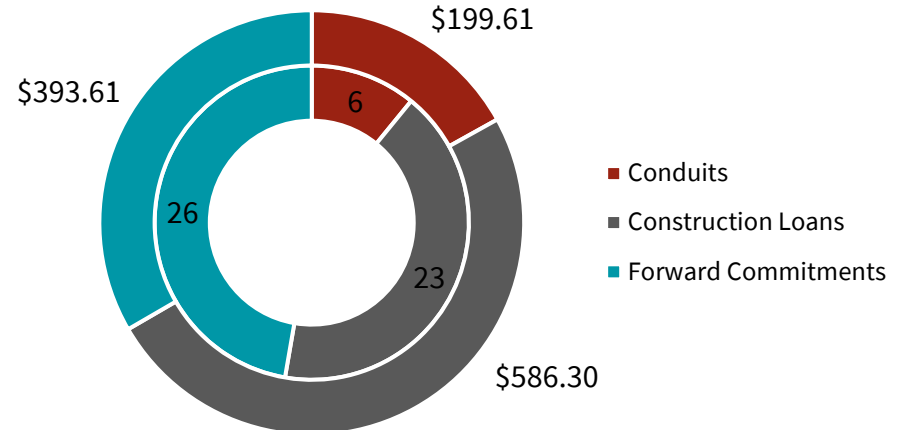
**5,766** Total units

**93%** Affordable units

### Developments by Construction Status



### Developments in Construction by Loan Type and Amount



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MASSACHUSETTS HOUSING FINANCE AGENCY

**Voluntary Notice – COVID-19**

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Each month since April 2020, the Massachusetts Housing Finance Agency (“MassHousing”) has posted a voluntary notice on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (EMMA) regarding the impact of the COVID-19 pandemic on its programs, its responses to the pandemic and describing certain actions taken by Federal and state governments to address such pandemic. MassHousing is providing this voluntary disclosure regarding such matters, as of the date of this filing, as an update and supplement to such earlier notices. MassHousing may provide additional voluntary disclosure on such matters from time to time; however, MassHousing is not obligated to do so.

**Home Ownership Programs**

As previously noted, under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), signed into law on March 27, 2020, a borrower with a federally-backed mortgage loan secured by a lien on residential property designed for 1-4 families, who is experiencing financial hardship due, directly or indirectly, to the COVID-19 emergency may request forbearance regardless of delinquency status. The CARES Act further provides that upon receipt of a request for forbearance, servicers of such loans, such as MassHousing, will (i) provide forbearance for up to 180 days and (ii) extend the forbearance for up to an additional 180-day period upon the timely request of the borrower.

In February 2021, President Biden announced additional measures available for certain eligible homeowners with federally-backed mortgage loans, including (i) the extension of a foreclosure moratorium through June 30, 2021, (ii) the extension, to June 30, 2021, of the deadline by which forbearance may be requested and (iii) the availability of up to six months of additional mortgage payment forbearance, in three-month increments, for eligible borrowers who entered forbearance on or before June 30, 2020. In addition, the Federal Housing Financing Agency (“FHFA”) announced that certain eligible borrowers with mortgages backed by Fannie Mae or Freddie Mac (i) are covered under a foreclosure moratorium running through June 30, 2021 and (ii) if the borrower was in an active COVID-19 forbearance plan as of February 28, 2021, may qualify for an additional six-months of forbearance (bringing the overall forbearance period to up to 18-months for such borrowers).

With respect to its Home Ownership Programs, from March 17, 2020 through March 31, 2021, MassHousing received 2,134 requests for forbearance. As of March 31, 2021, forbearance

remained in effect for 1,174 of such loans (6.57% of the loans in the Home Ownership portfolio) with an aggregate outstanding principal balance of \$246,508,075.

The table below sets forth the number and percentage of loans in the MassHousing Home Ownership Program that had payment arrearages of 30 or more days, and the aggregate outstanding principal balance of such loans, as of March 31 of the current and prior two years:

<u>As of March 31,</u>	<u>Number of Loans</u>	<u>Loans as percentage of Home Ownership Portfolio</u>	<u>Outstanding Principal Balance of Loans</u>
2021	1,435	8.03%	\$290,582,237
2020	882	4.36%	\$166,096,958
2019	718	3.43%	\$130,680,305

In addition, MassHousing acts as seller/servicer with respect to various mortgage revenue bond, Ginnie Mae, HUD, FHLB, Fannie Mae and Freddie Mac programs. Under the applicable program documents, MassHousing may be obligated to fund shortfalls in scheduled payments to investors or repurchase loans and to fund shortfalls for tax and insurance payments.

As of March 31, 2021, MassHousing, as servicer for such loans, had outstanding advances for tax and insurance payments aggregating \$3,974,461 and no outstanding advances for principal and interest payments. By comparison, as of March 31 of 2020 and 2019, MassHousing had outstanding advances for tax and insurance payments aggregating \$1,205,588 and \$940,668, respectively, and no outstanding advances for principal and interest payments.

### **Mortgage Insurance Fund**

MassHousing established the Mortgage Insurance Fund (“MIF”) to provide primary mortgage insurance coverage for loans purchased by MassHousing under its Home Ownership Programs. The MIF provides both traditional mortgage insurance coverage and, with respect to loans insured on or after July 1, 2004, the MIF provides borrowers with mortgage payment protection coverage (“MI Plus”) that pays up to six months of monthly mortgage principal and interest in the event that a borrower becomes an “enrolled unemployed” under the Massachusetts unemployment compensation program.

From March 17, 2020 through March 31, 2021, the MIF received four claims under its traditional mortgage insurance programs, for payments aggregating approximately \$103,000, and 1,289 claims under its MI Plus program, for payments aggregating approximately \$1,268,000.

The table below sets forth the number and amount of claims received under MassHousing’s traditional mortgage insurance programs and under its MI Plus program in March of the current and prior two years:

Received in March,	<u>Traditional Insurance</u>		<u>MI Plus</u>	
	Number of <u>Claims</u>	Payment <u>Amount</u>	Number of <u>Claims</u>	Payment <u>Amount</u>
2021	-0-	-0-	63	\$74,000
2020	3	\$177,000	8	\$9,000
2019	-0-	-0-	7	\$7,000

As of March 31, 2021, the aggregate cash and investment balance of the MIF was approximately \$132.1 million, compared to \$126.9 million as of March 31, 2020.

### **Rental Bond Programs**

Under the CARES Act, a multifamily borrower with a federally-backed multifamily mortgage loan, who was current on its payments as of February 1, 2020 and who is experiencing financial hardship due, directly or indirectly, to the COVID-19 emergency may request forbearance. The CARES Act further provides that upon receipt of a request for forbearance, servicers of such a loan, such as MassHousing, will (i) document the financial hardship, (ii) provide forbearance for up to 30 days and (iii) extend the forbearance for up to two additional 30-day periods upon the timely request of the borrower.

From March 17, 2020 through March 31, 2021, MassHousing received two requests for forbearance from multifamily borrowers, both of which requests were subsequently rescinded. Also, as of March 31, 2021, one multifamily development was in arrears on its loan (0.25% of the loans in the multifamily loan portfolio) by 30 or more days, representing an outstanding principal balance of \$5,226,783.

In addition, MassHousing acts as seller/servicer with respect to various Ginnie Mae, HUD and FFB programs. Under the applicable program documents, MassHousing may be obligated to fund shortfalls in scheduled payments to investors.

### Construction Delays

MassHousing provides construction financing on a number of multifamily developments and also provides take-out financing for a number of multifamily developments. Construction delays can lead to increased construction costs and delay the receipt of post-construction revenues upon which multifamily developers rely in formulating their finance plans. Such delays also impact the timelines, and possibly the sizing, for take-out financings.

As previously noted, in March 2020, the cities of Boston, Cambridge and Somerville all announced the suspension of regular activity at construction sites in their borders due to the COVID-19 emergency, however housing construction was deemed ‘essential’ and allowed to proceed in each city provided adequate COVID-19 safety plans are in place. This resulted in certain projects being shut down for periods of between 55 to 76 days, however, all such projects have since resumed construction activity. Other municipalities in Massachusetts may have, or may in the future, institute similar suspensions and/or safety plan requirements. MassHousing continues to monitor the impact of construction delays on its portfolio of construction loans and anticipated take-out financings.

From March 17, 2020 through March 31, 2021, MassHousing received no requests for forbearance from borrowers with respect to construction loans and no developments were in arrears on their construction loans by 30 or more days.

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Other proposed federal, state, and local action may make additional allowances for various periods of forbearance on mortgage payments (including extending the forbearance periods described above) and certain restrictions on the enforcement of remedies upon a default, and provide direct and indirect financial support to MassHousing’s borrowers. The CARES Act, the referenced actions announced by the President and FHFA, and such other proposals, if enacted, may have both adverse and positive effects on MassHousing’s operations and financial condition.

MassHousing cannot predict (i) the duration or extent of the COVID-19 pandemic or any other outbreak emergency; (ii) the duration or expansion of any foreclosure or eviction moratorium affecting MassHousing’s ability to foreclose and collect on delinquent mortgage loans; (iii) the number of mortgage loans that will be in default as a result of the COVID-19 pandemic and subsequent federal, state and local responses thereto, including the CARES Act and the referenced actions announced by the President and FHFA; (iv) whether and to what extent the COVID-19 pandemic or other outbreak or emergency may disrupt the local or global economy, manufacturing, or supply chain, or whether any such disruption may adversely impact MassHousing or its operations; or (v) whether or to what extent MassHousing or other government agencies may provide additional deferrals, forbearances, adjustments, or other changes to payments on mortgage loans.

This filing is not intended to, and does not purport to, provide all information material to an investment in MassHousing’s securities. The COVID-19 pandemic and resulting business and market disruptions may have an adverse impact on the operations of MassHousing, its financial condition or its contractual obligations to an extent that may be material.

Dated: April 9, 2021