

Massachusetts
Housing
Investment
Corporation

1992 Annual Report

Member Banks

Shawmut Bank

Fleet Bank of Massachusetts

BayBank

First National Bank of Boston

Boston Safe Deposit and Trust

State Street Bank and Trust

The Massachusetts Company

Wainwright Bank & Trust

Federal Deposit Insurance Corporation

Boston Bank of Commerce

Newworld Bank

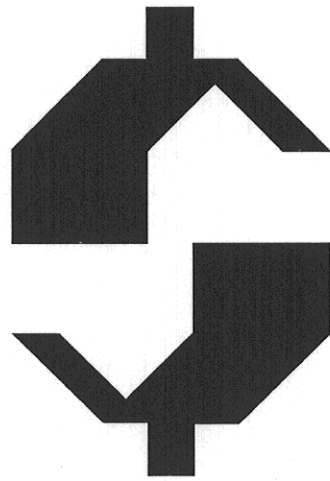
Sterling Bank

Springfield Institution for Savings

Atlantic Bank and Trust

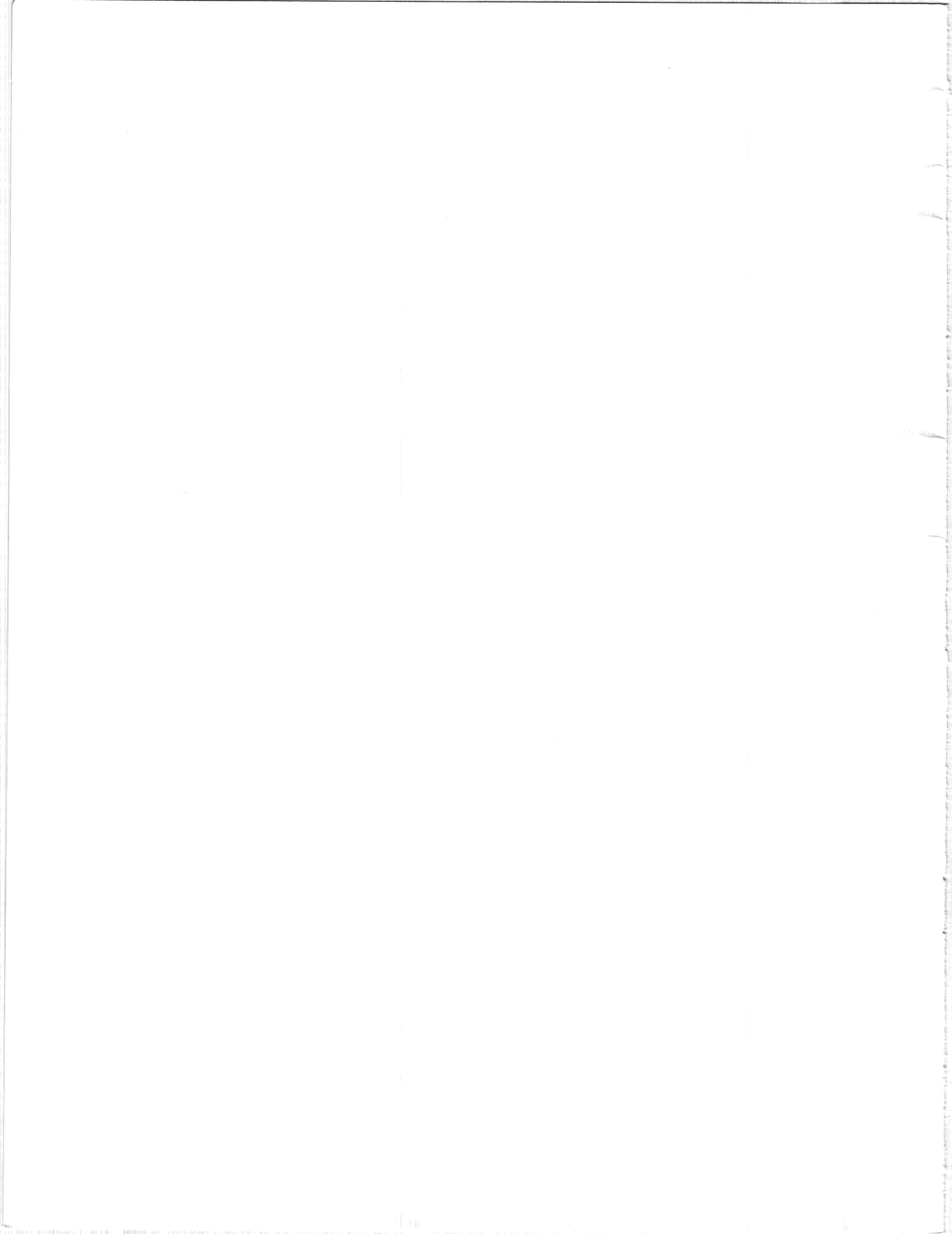
Stoneham Savings Bank

Boston Private Bank & Trust



1992 Annual Report

October 1992



Letter from the Chairman

October 1992

In our second year of operation, the Massachusetts Housing Investment Corporation continued to make solid progress by providing financing for affordable housing throughout Massachusetts and by building capacity to improve the system of housing finance.

We have approved 23 project loans – both homeownership and rental projects – under MHIC's Construction Loan Program. Under MHIC's Equity Initiative, participating banks and other investors have invested \$34 million in 12 projects which have closed, and have committed another \$18 million for eight projects currently in process.

Our membership and support from our member banks increased. Our construction loan pool increased from \$35 million to \$51 million, and funds committed to our equity program increased from \$40 million to \$55 million. In addition, we are initiating a pilot permanent financing program to be implemented this year.

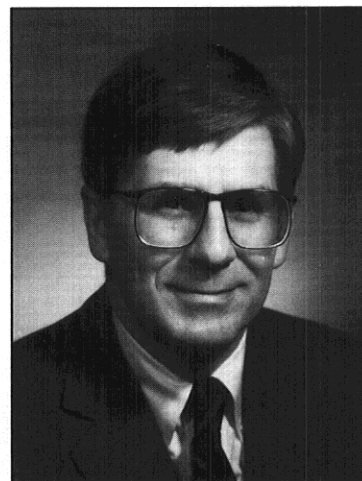
No one at MHIC or its member banks is under any illusion that a single non-profit organization has all the answers to the challenge of providing financing for quality affordable housing throughout Massachusetts. We have made a promising beginning by forging constructive relationships among our member financial institutions, community representatives, governments, developers, and other organizations. It is our hope that Massachusetts banks which are not yet members of MHIC will seriously consider joining us in this exciting and constructive effort.

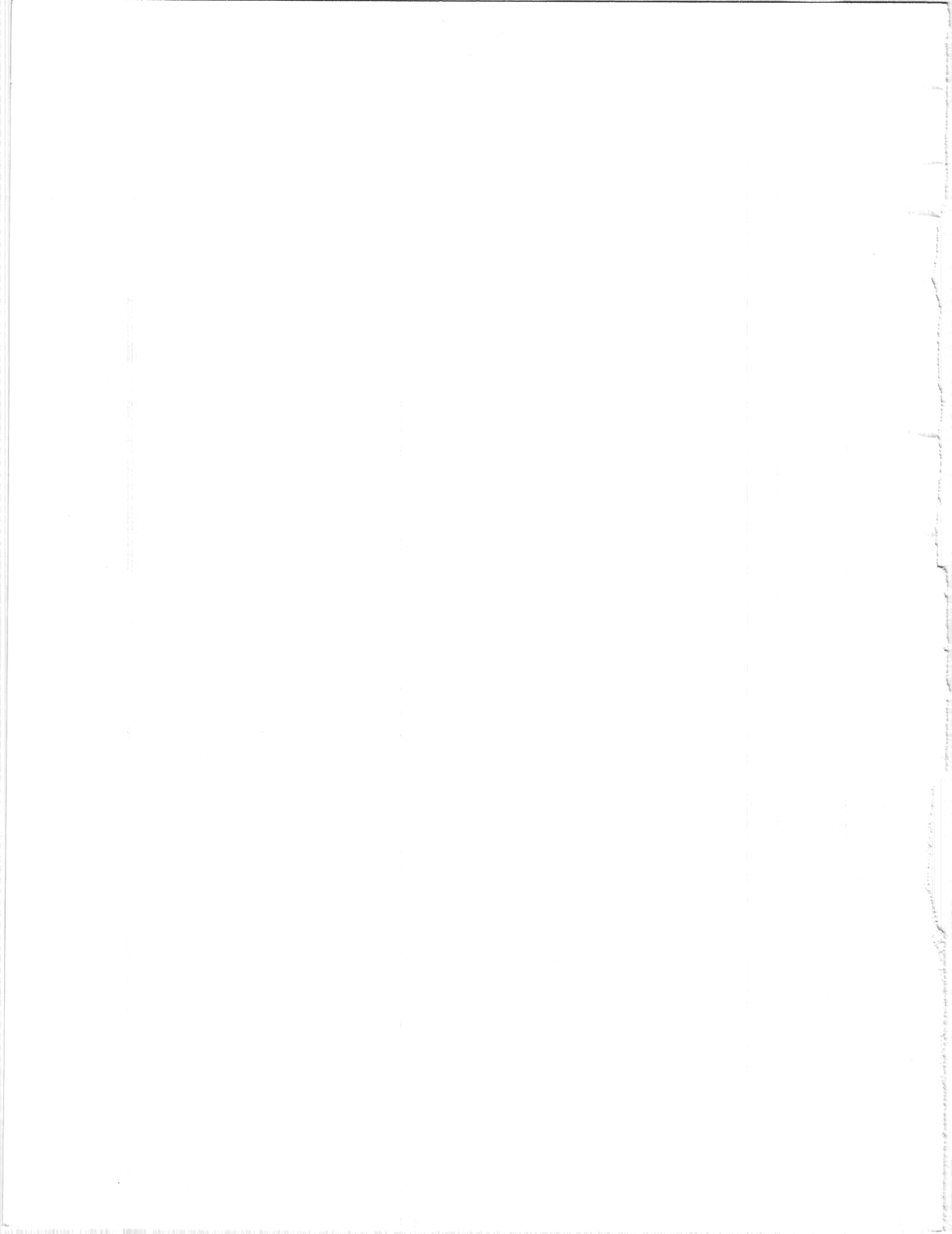
I am deeply grateful for the efforts of all those who have given of their time and other valuable resources during the past year. And I look forward to your active involvement in the future.

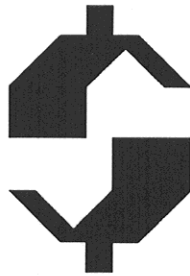
Sincerely,



DAVID A. SPINA
Chairman







Massachusetts
**Housing
Investment
Corporation**

1992 Annual Report

The Massachusetts Housing Investment Corporation enters its third year in a strong position to further its mission of finding and creating ways to improve and expand the financing of affordable housing throughout Massachusetts. Having met the financial and programmatic goals set for 1992, MHIC is well on its way toward achieving the corporation's long-term goals.

As MHIC matures and plans for the future, the Corporation will continue to focus its decisions and activities on its central mission:

To finance quality affordable housing throughout the Commonwealth; to supplement the financing available from banks for affordable housing; to aggregate and coordinate the effective use of public and private resources necessary to finance affordable housing.

MHIC's Loan and Equity programs are fully operational, with policies, procedures and staff in place. To date, MHIC has committed over \$70 million in pooled investments to 37 affordable housing projects. MHIC has closed on or completed 19 projects, with an additional 13 projects currently approved and underway.

During this past year, member banks invested an additional \$16 million in the Construction Loan pool, and committed an additional \$15 million to the Equity Investment program.

In addition to strengthening its two main programs, MHIC is launching a Permanent Financing program on a pilot basis. And to provide maximum organizational focus, MHIC has developed a comprehensive strategic plan for the coming years.

MHIC has
committed over
\$70 million in
pooled investments
to 37 affordable
housing projects.



604 Massachusetts Avenue, Boston

MHIC will give priority consideration to projects with significant minority participation or which have significant impact on minority neighborhoods.

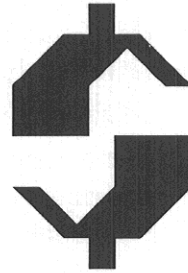
Looking ahead, MHIC has identified seven specific goals for the coming three to five years. In each instance, measurable milestones toward the achievement of those goals have been established. In summary, MHIC's strategic goals are as follows:

1. *To measurably increase affordable housing investment.*
2. *To develop a coalition to solicit broader corporate involvement in tax credit equity investment.*
3. *To develop prototypes for affordable housing finance to be utilized on an ongoing basis.*
4. *To implement a pilot program to provide permanent financing for affordable rental and cooperative housing.*
5. *To focus primarily (although not exclusively and based on the current market) on rehabilitation of existing housing stock, and on smaller loans.*
6. *To develop and implement structures and systems to enhance MHIC's ability to attract and retain financial resources, and which support efforts to put those resources to effective use.*
7. *To give priority consideration to projects with significant minority participation or which have significant impact on minority neighborhoods.*

MHIC recognizes that certain factors will affect its ability to achieve its mission in these difficult times. As a result, in its planning and day-to-day operations, MHIC has had to factor in such major changes in the environment as the regional economy, the availability of capital, the scarcity of public resources, and weakness in the real estate markets.



Stony Brook Gardens Cooperative, Boston (under construction).



Construction Loan Program

One of MHIC's two established programs, the Construction Loan Program provides loans for affordable housing by pooling funds from participating banks. Loans for new construction and for preservation of existing housing developments are made to non-profit and for-profit developers throughout Massachusetts.

By pooling their funds to make construction loans, MHIC's member banks are able to minimize the lenders' risk and to maximize the benefits to the project.

To insure that loans are scrupulously reviewed, that they are responsive to community needs for affordable housing, and that they are consistent with the Community Reinvestment Act, a central Loan Committee, comprised of individuals designated by member banks, carefully analyzes all MHIC's project proposals. For approval, loans must comply with MHIC's established Loan Policy and Credit Guidelines, which include such key criteria as level of affordability, community housing needs, location, and the absence of alternative financing.

Typically under \$3 million, loans are made for rental housing, home ownership developments, or cooperative housing. MHIC does not replace traditional financing available from banks; rather, MHIC supplements whatever financing is already available by focusing banks' real estate lending skills and by diversifying loan risk through a pooled investment vehicle.

It is important to note that, because of statewide economic conditions, alternative financing for construction loans in affordable housing is, at present, severely limited. MHIC's critical role in meeting the needs of Massachusetts communities is, therefore, more important than ever before.

Highlights of MHIC's Construction Loan Program are as follows:

MHIC has raised over \$51 million from participating banks.

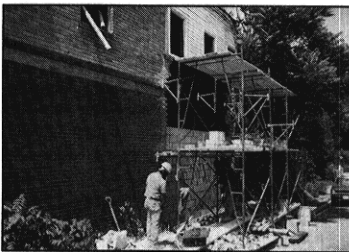


Ridgewood Village, Chicopee

- ❑ To date, MHIC has raised over \$51 million from participating banks. This figure represents over 50% of the corporation's target figure to be raised in the first five years of operation. Investments in the construction loan pool are listed below:

First National Bank of Boston	\$15,000,000
Shawmut Bank	\$10,000,000
Fleet Bank of Massachusetts	\$10,000,000
BayBank	\$6,000,000
State Street Bank and Trust	\$4,600,000
The Massachusetts Company	\$1,500,000
Wainwright Bank & Trust	\$1,000,000
FDIC (Workingmens' Coop Bank)	\$1,000,000
Sterling Bank	\$500,000
Newworld Bank	\$500,000
Springfield Institution for Savings	\$250,000
Boston Bank of Commerce	\$250,000
Atlantic Bank and Trust	\$250,000
Stoneham Savings Bank	\$250,000
Boston Private Bank & Trust	<u>\$150,000</u>
TOTAL	\$51,250,000

- ❑ Of the \$51 million raised from 15 member banks, \$20 million (39%) has been committed to 23 project loans, comprising a total of 675 units of affordable housing. Projects include both homeownership and rental projects throughout the state. (For descriptions of specific projects, see page 9.)



800 Main Street, Worcester
(under construction).

- ❑ MHIC is currently reviewing 10 projects with aggregate loan requests totaling \$14 million. These projects, once completed, would provide 374 units of affordable housing.

We expect to continue this record of accomplishment in construction loans. In particular, MHIC's goals for the coming year include:

- ❑ *Bank Participation:* Increase the level of bank participation by \$5,000,000 for FY 1993.
- ❑ *Loan Volume:* MHIC anticipates reviewing loans totaling \$40 million, and committing to loans totaling \$25 million. Attaining these targets will bring total loan pool utilization to 53% in 1993 and to 90% by 1995.



Equity Initiative

The second of MHIC's two main programs, the Equity Initiative – designed to attract investment in affordable rental housing through tax credits – is proving to be increasingly important to the creation and preservation of affordable rental housing.

Given scarce public resources and many projects' limited ability to support permanent debt, it is likely that tax credit equity investment will be the most critical resource needed by affordable housing projects for the foreseeable future.

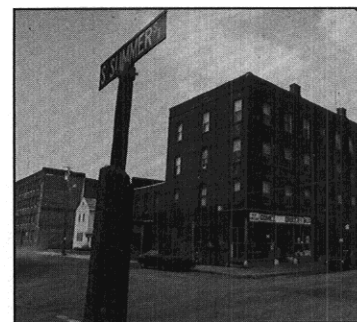
Because these equity investments typically involve complex tax, legal, and real estate transactions, MHIC has pioneered an approach to simplify the process, reduce transaction costs, and thereby maximize the net equity available for project purposes.

MHIC has developed a standard equity investment structure and documentation. MHIC staff analyzes tax credit equity investments, reviews them with the Equity Committee, then recommends those which meet MHIC investment objectives to banks and other potential investors.

Following two successful years of operation, the Equity program now enters its third year in a strong position to continue to attract capital and to move deserving projects to closing.

For MHIC's Equity Initiative, the following achievements should be noted for the last fiscal year:

- To date, over \$55 million has been committed from seven participating banks. The monies committed represent over 50% of the banks' five year target of \$100 million. Commitments by member banks are as follows:



South City Apartments, Holyoke (under construction).

Tax credit equity investment will be the most critical resource needed by affordable housing projects.

\$34 million has been invested in twelve projects.

Boston Safe Deposit and Trust	\$15,000,000
State Street Bank and Trust	\$10,000,000
Shawmut Bank	\$10,000,000
BayBank	\$10,000,000
Fleet Bank of Massachusetts	\$10,000,000
Springfield Institution for Savings	\$500,000
Boston Bank of Commerce	\$179,000
TOTAL	\$55,679,000

☐ MHIC's Equity Initiative has resulted in investments totaling more than \$34 million in 12 projects, with more than \$24 million of that coming from MHIC member banks. Another eight projects involving \$18 million in investment are in the process of closing.

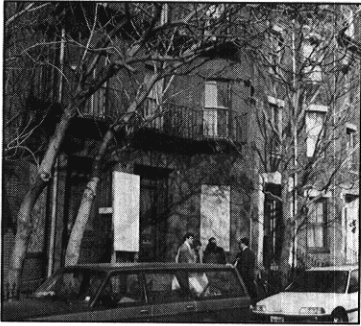
☐ All told, the equity investments completed or underway total \$59 million. Of that amount, \$43 million (75%) of the commitments have come from MHIC member banks.

Looking to the future, MHIC's objectives for the coming year include:

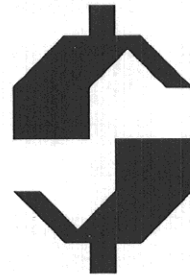
☐ *Bank Commitments:* Increase the level of bank commitments to MHIC's Equity Initiative by \$15 million.

☐ *Equity Investment:* Coordinate the investment of \$25,000,000 in equity projects.

☐ *Corporate Involvement:* Work with a coalition to solicit broader corporate involvement in tax credit equity investment. MHIC's plan is to attract 20% of overall investment growth from non-member institutions.



Cortes Street SRO (under construction.)



Permanent Financing Program

Over the coming year, MHIC intends to implement, on a pilot basis, a bank-supported permanent financing pool for affordable rental housing. The program will focus on developing new options, through partnerships with other institutions, to finance rental projects. MHIC is inaugurating this effort in response to the recognized need to supplement available permanent financing for affordable rental housing.

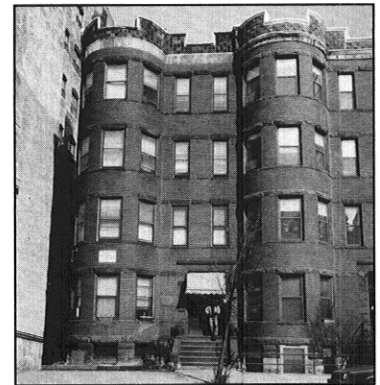
The Permanent Financing Program had its origins in 1991 when the Chairman of MHIC appointed a Task Force to survey permanent financing needs and to formulate recommendations and a specific action plan. The goal is to be able to package permanent financing with construction loans made from MHIC's construction loan program.

While exploring profiles of projects likely to need financing, the Task Force analyzed the amount of permanent debt which projects might be able to support. Without deep rental subsidies, the Task Force concluded, many rental projects simply are not economically feasible. The relative lack of ready sources of permanent financing pointed to the desirability of working with other financial institutions to develop creative new options in this area.

In its report to the MHIC Board of Directors, the Permanent Financing Task Force made various recommendations for providing new sources of financing, expanding and improving existing sources of financing, and rendering the financing system already in place more effective.

MHIC's pilot \$25 million program will utilize the resources of participating banks to originate mortgages which can be securitized (through Freddie Mac or Fannie Mae) and sold to institutional investors (such as the State Pension Fund).

MHIC has identified and is now working with other potential lenders to coordinate underwriting and project financing. Other potential sources of permanent financing for rental housing projects include the following:



Parkview SRO (under construction).

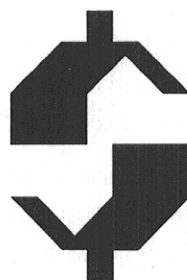
The pilot program will utilize the resources of participating banks to originate \$25 million in mortgages.

- The Massachusetts Housing Financing Agency (MHFA);
- The Massachusetts Government Land Bank;
- The Massachusetts Housing Partnership Fund; and
- Banks participating in the programs of the Federal Home Loan Bank.

The Report of the Permanent Financing Task Force includes specific recommendations in such areas as how to simplify and streamline the application process; standardizing documentation and information requirements; and developing clear, consistent underwriting standards.

In the coming year, MHIC's plans for the pilot program include:

- Secure commitments from member banks to support \$25 million in permanent financing for rental housing projects.
- Solicit and render secure (for example, through Freddie Mac or Fannie Mae) institutional investments to support the permanent financing program.



Projects

Since MHIC was established, the Corporation has committed financing to 37 projects. Ten of these projects are completed and occupied. 22 projects have been approved and are currently underway. Some of the projects have received or will receive funding under the Construction Loan Program, others under the Equity Initiative, and still others from both programs.

When evaluating projects for approval MHIC takes pains to ensure that the projects it approves and funds are a balanced mix according to established criteria which consider type of housing, location, funding sources available and the housing needs of Massachusetts residents.

The descriptions of projects on the following pages are intended to illustrate the types of projects, loan amounts, location and other information about MHIC projects.

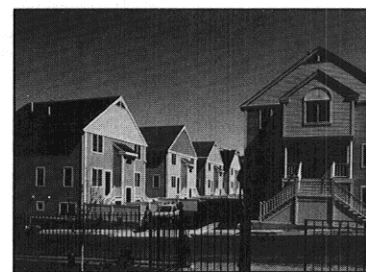
Ridgewood Village, Phase II: 50-unit home ownership project on former Westover Air Force base in Chicopee. All units affordably priced between \$65,000 and \$80,000. Project represents second phase of a 200-unit development. Loan amount (with Chicopee Savings Bank) for this phase: \$2,355,000. Completed and occupied.

604 Massachusetts Avenue: 5-unit renovated brick building with 3 affordable condominium units priced from \$84,000 to \$93,000, located in Boston's South End. Loan amount: \$380,000. The project is completed and occupied.

Langham Court: 55-unit project in the South End of Boston, developed by the Four Corners Development Corporation. The total equity investment: \$4,275,000. The project is now completed and occupied.

Veterans Benefit Clearinghouse: 30-unit single-room-occupancy (SRO) project in Boston. The total equity investment: \$3,360,000. The project is now completed and occupied.

Brooks School: 56-unit rental project developed by Quincy Geneva Housing Development Corporation in Boston. The total equity investment: \$2,730,000. The project is now completed and occupied.



Brooks School (completed).

MHIC has
committed over
\$70 million in
financing to 37
projects.



Langham Court (completed).

Roxbury Corners: 48-unit rental project developed by the United South End Settlement in conjunction with lower Roxbury Development Corporation. The total equity investment: \$3,575,000. The project is now completed and occupied.

1734 Washington Street: Rehabilitation of a building in the South End of Boston into 30 single-room-occupancy units. The project was developed by the Paul Sullivan Trust, an affiliate of the Pine Street Inn. The total equity investment: \$1,097,500. The project is now completed and occupied.

Waterford Place: 40-unit rental project in the Chinatown neighborhood of Boston, developed by the Chinese Consolidated Benevolent Association. The total equity investment: \$2,000,000. The project is now completed and occupied.

Parmelee Court: 74-unit mixed-income rental project in Boston. The total equity investment is \$2,800,000. The project is now completed and occupied.

Dorchester Bay Buildable Lots: 12-unit home ownership project on 6 vacant lots in Boston. Developed by Dorchester Bay Economic Development Corporation. Units are duplexes, each affordably priced at \$75,000 to \$95,000. Loan amount: \$730,000. Completed and occupied.

Jacob's Place: 30-unit affordable home ownership project near Codman Square in Dorchester. Boston Neighborhood Housing Services is developing these 3 bedroom homes in 15 duplex structures, with units selling for \$75,000 to \$88,900. Total loan amount (with Boston Five Cents Savings Bank): \$1,904,000. In construction.

Stony Brook Gardens: 50-unit limited equity cooperative project being developed in Jamaica Plain by Urban Edge Housing Corporation as part of the Boston Coop Initiative, under the sponsorship of the City of Boston and the Metropolitan Boston Housing Partnership. Loan amount: \$1,900,000. Equity investment: \$4,942,000. In construction.

800 Main Street: 5 affordable rental units, 2 store fronts and 2 offices. Project is a renovation of an existing mixed-use structure in Worcester. Being developed by Frank Zitomersky. Loan amount: \$175,000. In construction.

Hyde Square Cooperative: 41-unit cooperative in Jamaica Plain. Second Boston Coop Initiative project. New construction of 2 and 3 family structures on 9 sites, being developed by the Neighborhood Development Corporation of Jamaica Plain. Loan amount: \$1,200,000. Equity investment: \$3,430,000. In construction.



Dorchester Bay Buildable Lots (during construction).

North Hill Homes: 23-unit single-family affordable homeownership project being developed on a portion of the site of the former Lyman State School in Westborough. Loan amount: \$1,700,000. In construction.

South City Apartments: 66-unit project in Holyoke, being developed by Nueva Esperanza and the Housing Allowance Project, two local non-profits. The total equity investment: \$3,125,000. In construction.

Cortes Street SRO: Rehabilitation of three buildings in the South Bay neighborhood into 48 single-room-occupancy units. Developer is Boston Aging Concerns/Young and Old United, a non-profit organization. Total equity investment: \$1,300,000. In construction.

Lopes Buildable Lots: 4-unit subsidized home ownership project of new construction in Roxbury. Units to be sold at approximately \$70,000 to \$86,000 by lottery to families who meet income criteria. Lopes Construction Company is developer. Loan amount: \$298,300. In construction.

Parkview SRO: Rehabilitation of two single-room-occupancy buildings in the Fenway neighborhood of Boston into 61 SRO units. Caritas Communities, a non-profit organization, is the developer. Loan amount: \$1,195,000. Equity investment: \$1,451,000. In construction.

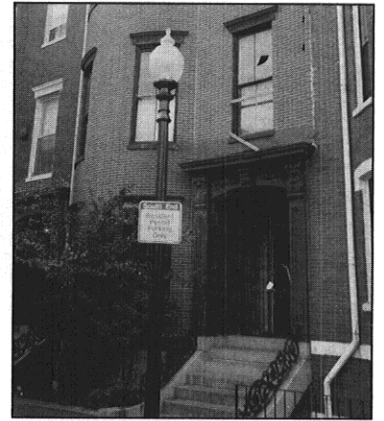
Daly House SRO: Rehabilitation of existing day care center in Roxbury. Developer Neustra Comunidad of Boston plans 19 single-room occupancy units, some to be set aside for clients of Department of Mental Health, and for individuals with AIDS. Loan amount: \$500,000. Closing expected November 1992.

326 Shawmut Avenue SRO: 11-unit single occupancy project in Boston's South End; 7 units to house clients of Department of Mental Health and 4 units to house homeless individuals. Loan amount: \$449,000. Closing expected October 1992.

123 Crawford Street SRO: 17-unit single-room-occupancy project in Roxbury. Twelve of the units to house clients of the Department of Mental Health. Loan amount: \$572,300. Closing expected November 1992.

Prang Estates: Rehabilitation of 2 buildings into a 33-unit low income rental housing complex in Roxbury. Developed by Cruz Development Corp. All of the units will be affordable to families earning less than 60% of median income. Loan amount: \$1,199,368. Equity investment: \$2,340,000. Closing expected November 1992.

Father Walter J. Martin Housing: 34-unit cooperative housing in 9 newly-constructed buildings in South Boston. The third Boston Coop



326 Shawmut Avenue SRO
(pre-construction).



Prang Estates (pre-construction).



*Humboldt Avenue Apartments
(pre-construction).*

Initiative project. Developer is South Boston Community Housing, Inc. Equity investment: \$4,096,000. Closing expected December 1992.

Alexander Magnolia Cooperative: The fourth Boston Coop Initiative project consists of 38 cooperative units on vacant land near Upham's Corner in Dorchester. All of the units will be affordable to families earning less than 60% of median income. Loan amount: \$1,000,000. Equity investment: \$4,516,500. Closing expected December 1992.

Lucerne Gardens Cooperative: 45-unit cooperative project involving new construction of 9 buildings in Dorchester, being developed by Patrick Lee, Duane Jackson, and Jim Keefe. Total equity investment: \$3,490,000. Closing expected December 1992.

Ridgewood Village, Phase III: 68-Unit homeownership project of affordable condominium units in Chicopee. This project is the third phase of a "multi-phase" new community at Westover Air Force Base. Units to be created from surplus officer housing. Loan amount (with Chicopee Savings Bank): \$3,400,000. Approved.

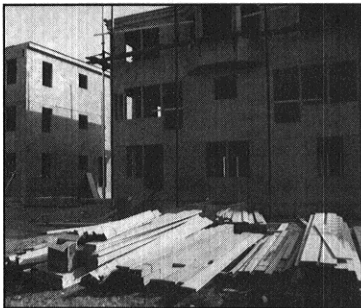
120 Beacon Street Apartments: Rehabilitation of partially completed office building into 33 units of 2 and 3-bedroom apartments in Somerville, with a walk-in health facility on the ground floor. 30% of units to be rented to low and moderate income families; 3 units to be handicapped accessible. Loan amount: \$1,700,000. Approved.

Beaver Apartments: Rehabilitation of 26 rental units in 3 adjacent Worcester buildings. There will be 5 commercial spaces on the ground floor of 2 buildings. Developer is Main South Community Development Corporation. Equity investment: \$675,000. Approved.

Humboldt Avenue Apartments: Rehabilitation of 20 unit rental property in Roxbury. All affordable to low and moderate income families. Developer is Lorenzo Pitts. Loan amount: \$350,000. Equity investment: \$1,288,000. Loan approved, equity investment in process.

Pomeroy Lane: 25-unit cooperative development in Amherst, sponsored by ABODES and Housing Allowance Project. Equity investment: \$1,451,000. Expected to close in 1993.

Grinnell Congregate Housing: 19-unit congregate housing development involving the rehabilitation of historic Grinnell Mansion in New Bedford. Equity investment: \$670,000. Expected to close in 1993.



*Hyde Square Cooperative
(under construction).*



Organization and Finances

Born out of joint efforts on the part of bankers and community leaders, the Massachusetts Housing Investment Corporation was formally established on July 1, 1990, as a Massachusetts-chartered, Chapter 180, not-for-profit corporation. MHIC has applied to the IRS for tax-exempt status as a 501(c)(3) organization under the Internal Revenue Code.

The corporation has a Board of Directors of 15 people, with 10 coming from banks and 5 from the community. The Board has appointed a Loan Committee which reviews and recommends loans to the Board. In addition, the Board has appointed an Equity Committee which reviews all projects seeking tax credit equity investments from participating banks.

The goal of MHIC is to pool the resources of Massachusetts banks to improve and expand the financing of affordable housing throughout the State. MHIC is intended to supplement, not supplant, what financial institutions and other organizations are already doing to meet the financing needs of affordable housing developments.

The Corporation is supported through participation by 16 member banks, and is able to cover its overhead costs from program revenue. In addition, the Corporation is building reserves to cover potential future loan losses.

To support the finances of the Corporation, participating banks accept a lower return of interest on invested loan balances. The initial spread is set at 1%. Accordingly, when a bank loans funds into the loan pool, MHIC invests that money temporarily in the same bank at the governing money market rate and MHIC pays that participating bank 1% less than that rate. MHIC retains the 1% spread for expenses and to build reserves. Once funds are loaned out to a project, participating banks earn prime minus 1% and the project is charged a minimum rate of prime plus 0.5%, earning a 1.5% spread for the Corporation.

The Corporation is supported through participation by 16 member banks.

In addition, MHIC charges participating banks for analyzing, standardizing, and managing tax credit equity investments, based on a percentage of their level of investment, and a 1% fee is collected from gross syndication proceeds to cover MHIC expenses.

MHIC now has a full-time staff of 7 people, with Joseph Flatley serving as President. Two additional staff positions are being added to support the growth in the loan and equity programs. In September 1992, the corporation moved to new office space at 70 Federal Street, Boston.

The Corporation completed its second year of operation with a surplus of income over expenses. The attached financial statements provide additional detail on the Corporation's finances.

The Corporation has allocated \$80,000 for an initial reserve against potential future loan losses. A review of the Corporation's portfolio of loans did not reveal any loss indicating a need for specific reserves.

Report of Independent Auditors

Board of Directors
The Massachusetts Housing Investment Corporation

We have audited the accompanying balance sheets of the Massachusetts Housing Investment Corporation as of June 30, 1992 and 1991, and the related statements of revenues and expenditures and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Massachusetts Housing Investment Corporation at June 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Ernst & Young

August 14, 1992

Massachusetts Housing Investment Corporation

Balance Sheets

	———— June 30 ————	
	<u>1992</u>	<u>1991</u>
ASSETS		
Cash	\$ 312,744	\$ 218,420
Loan Fund:		
Project loans, net of allowance for loan losses of \$80,000	847,756	
Money market deposits at member banks	<u>50,322,244</u>	<u>35,000,000</u>
Total Loan Fund	51,170,000	35,000,000
Amounts receivable	94,220	100,421
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$53,566 in 1992 and \$12,601 in 1991	<u>56,822</u>	<u>73,227</u>
Total Assets	<u>\$51,633,786</u>	<u>\$35,392,068</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Notes payable to member banks	\$51,250,000	\$35,000,000
Unearned equity program fees	190,176	224,292
Accrued interest and other liabilities	<u>154,443</u>	<u>153,122</u>
Total Liabilities	51,594,619	35,377,414
NET ASSETS	<u>39,167</u>	<u>14,654</u>
Total Liabilities And Net Assets	<u>\$51,633,786</u>	<u>\$35,392,068</u>

See notes to financial statements.

Massachusetts Housing Investment Corporation

Statements of Revenues and Expenditures

	———For the Year———	
	———Ended June 30———	
	1992	1991
REVENUE:		
Interest revenue on bank deposits	\$1,700,473	\$1,007,939
Interest revenue on project loans	<u>75,848</u>	<u>0</u>
Total interest revenue	1,776,321	1,007,939
Interest expense on notes payable to member banks	<u>1,325,229</u>	<u>788,597</u>
Net interest revenue before provision for loan losses	451,092	219,342
Provision for loan losses	<u>(80,000)</u>	<u>0</u>
Net interest revenue after provision loan losses	371,092	219,342
Equity program fees	<u>225,427</u>	<u>101,455</u>
Total Revenue	<u>596,519</u>	<u>320,797</u>
EXPENDITURES:		
Salaries and employee benefits	383,399	170,304
Professional services	43,856	52,640
Occupancy, equipment and furniture	53,984	6,660
Other expenses	<u>90,767</u>	<u>76,539</u>
Total Expenditures	<u>572,006</u>	<u>306,143</u>
Excess of Revenue over Expenditures	24,513	14,654
Net Assets at Beginning of Year	<u>14,654</u>	<u>0</u>
Net Assets at End of Year	<u>\$39,167</u>	<u>\$14,654</u>

See notes to financial statements.

Massachusetts Housing Investment Corporation

Statements of Cash Flows

	For the Year	
	Ended June 30	
	1992	1991
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 24,513	\$ 14,654
Adjustments to reconcile excess of revenue over expenditures to net cash provided by (used for) operating activities:		
Provision for loan losses	80,000	
Depreciation and amortization expense	40,965	12,601
Decrease (increase) in amounts receivable	6,201	(100,421)
(Decrease) increase in unearned equity program fees	(34,116)	224,292
Increase in accrued interest and other liabilities	<u>1,321</u>	<u>153,122</u>
Total adjustments	<u>94,371</u>	<u>289,594</u>
Cash provided by operating activities	118,884	304,248
INVESTING ACTIVITIES		
Increase in project loans, net	(927,756)	
Increase in money market deposits at member banks	(15,322,244)	(35,000,000)
Purchases of furniture, equipment and leasehold improvements	<u>(24,560)</u>	<u>(85,828)</u>
Cash used for investing activities	(16,274,560)	(35,085,828)
FINANCING ACTIVITIES		
Proceeds from notes payable to member banks	16,250,000	35,000,000
Proceeds from initial borrowing		50,000
Repayment of initial borrowing		<u>(50,000)</u>
Cash provided by financing activities	<u>16,250,000</u>	<u>35,000,000</u>
Net Increase In Cash	94,324	218,420
Cash at beginning of year	<u>218,420</u>	<u>0</u>
Cash At End Of Year	<u>\$312,744</u>	<u>\$218,420</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest on notes payable to member banks	<u>\$1,362,436</u>	<u>\$651,171</u>

See notes to financial statements.

Massachusetts Housing Investment Corporation

Notes to Financial Statements

NOTE A--MISSION STATEMENT AND ACCOUNTING POLICIES

Mission: On July 1, 1990, the Massachusetts Housing Investment Corporation (MHIC) was formally established as a Massachusetts-chartered, Chapter 180, not-for-profit corporation. MHIC's mission is to pool the resources of Massachusetts banks to improve and expand the financing of affordable housing throughout the state. To date, MHIC has established a loan pool which provides loans for affordable housing on a statewide basis to not-for-profit as well as for-profit developers and provides assistance to member banks in underwriting low-income housing tax credit equity investments.

Accrual Basis: The financial statements of MHIC have been prepared on an accrual basis.

Unearned Equity Program Fees: MHIC receives fees in advance from members participating in the tax credit equity investment program. These fees are amortized into income on a straight-line basis over the period during which they are anticipated to be earned.

Furniture, Equipment and Leasehold Improvements: Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is computed by the straight-line method using rates based on estimated useful lives.

Income Tax Status: As a Massachusetts-chartered, Chapter 180, not-for-profit corporation, MHIC has filed a request with the Internal Revenue Service for tax-exempt status as a 501(c)(3) corporation under federal tax law. This request has been denied and is presently pending appeal. Management believes the outcome of this appeal will be favorable or that alternative tax-exempt status will be obtained; accordingly, no tax provision has been recorded in the accompanying financial statements. In the event of an unfavorable determination on the appeal, a tax provision of \$5,657 and \$3,381 would result in fiscal 1992 and 1991, respectively.

Financial Statement Presentation: The Company has reclassified certain items in 1992 to better reflect operating activity. Similar reclassification have been made to the 1991 report to ensure comparability.

NOTE B--NOTES PAYABLE TO MEMBER BANKS

MHIC funds their loan pool through unsecured notes issued to member banks pursuant to a Master Membership Agreement. Under this agreement, all note proceeds not lent are required to be deposited in money market deposit accounts at the respective lending institutions where they accrue interest at 1% less than the annual interest rate earned on the interest-bearing accounts. All lent proceeds bear interest at prime rate less 1%. These notes are renewable annually. If they are not renewed, they require no principal amortization for five years and then amortize over a five-year period at an amount equal to the stated amount of the note less the member's pro rata share of unfunded losses. At June 30, 1992, outstanding borrowings under these agreements totaled \$51,250,000.

Notes to Financial Statements (continued)

NOTE C--PROJECT LOANS

As noted above, MHIC provides loans for the development of affordable housing throughout Massachusetts.

Project loan activity for fiscal 1992 follows:

Beginning balance	\$ 0
Loan disbursements	1,947,371
Loan repayments	<u>(1,019,615)</u>
Project Loans Outstanding	927,756
Allowance for loan losses	<u>(80,000)</u>
 Project Loans, Net	 <u><u>\$847,756</u></u>

Project loans earn a variable rate of interest pursuant to MHIC's established loan policy and are secured by the underlying projects.

At June 30, 1992, MHIC had no delinquent or nonperforming project loans.

NOTE D--COMMITMENTS

At June 30, 1992, MHIC had unfunded loan commitments of \$8,193,300. These commitments have been established pursuant to MHIC's loan policy.

In August 1992, MHIC entered into a lease agreement for office space. The Company's annual lease payments under this agreement follows:

1993	\$ 67,433
1994	80,920
1995	80,920
1996	80,920
1997	80,920
Thereafter	<u>13,487</u>
 TOTAL	 <u><u>\$404,600</u></u>



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