

Massachusetts Housing Investment Corporation

1993

Member Banks

Shawmut Bank

Fleet Bank of Massachusetts

BayBank

Bank of Boston

Boston Safe Deposit and Trust

State Street Bank and Trust

The Massachusetts Company

Wainwright Bank & Trust

Federal Deposit Insurance Corporation

UStTrust

Newworld Bank

Sterling Bank

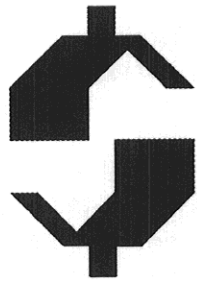
Boston Bank of Commerce

Springfield Institution for Savings

Atlantic Bank and Trust

Stoneham Savings Bank

Boston Private Bank & Trust



Massachusetts
**Housing
Investment**
Corporation

1993 Annual Report

70 Federal Street
Boston, MA 02110
(617) 338-6886

Mission Statement

The mission of the Massachusetts Housing Investment Corporation (MHIC) can be summarized as follows:

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.

The net result of this mission should be that *more and better* affordable housing projects are financed, and that they are done so in a more *efficient* manner.

As an institution established by private banks in collaboration with community leaders, MHIC's mission depends on a partnership among banks, housing sponsors, and public agencies.

In undertaking this mission, MHIC is founded on three core values:

1. *MHIC should attract private capital to finance affordable housing on an ongoing basis as a self-sustaining venture.*
2. *MHIC should focus on geographic areas, sponsors, and projects which would not otherwise be able to receive financing.*
3. *MHIC should improve and add value to the system of financing affordable housing, and not merely be one more player.*

From the Chairman and the President

As the Corporation enters its fourth year of operation, we see significant progress in meeting MHIC's initial goals – with over \$102 million committed to 46 affordable housing projects throughout Massachusetts. Looking beyond the numbers, MHIC has built a solid foundation on which it can meet the needs of the future.

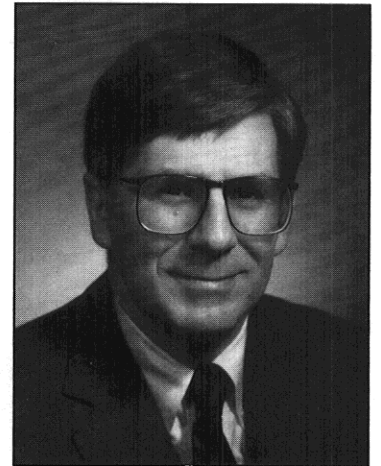
Our Equity Program is in great demand. This is due in part to the fact that affordable housing cannot support much permanent debt without project-based operating subsidies. Both federal and state governments are reducing project-based operating subsidies. Demand has been high also because MHIC's Equity Program raises more net equity for projects than other sources. As a result, our member banks' initial commitments are all invested or committed.

This year marks a turning point in the structure of MHIC's Equity Program. In response to requests from community groups, MHIC is restructuring its Equity Program as a pooled investment, and is launching its first annual Fund this Fall. We believe that the new Fund structure will provide improvements both for investors and for project sponsors. To implement the Fund, MHIC established a subsidiary corporation and is expanding its staff to meet the additional responsibilities entailed in managing the Fund.

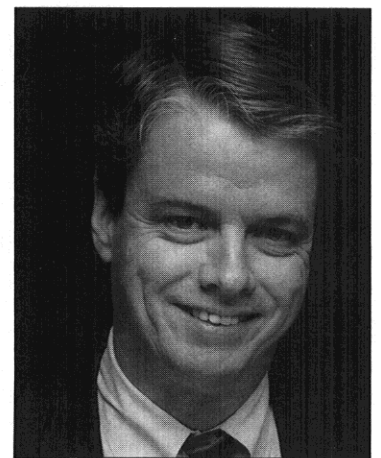
MHIC is moving toward more of a "full service" approach in its Loan Program as well. In addition to making construction loans, MHIC will now be originating permanent mortgage loans to be sold to the Massachusetts Housing Partnership (MHP) Fund.

Simplification of the housing finance system remains an important goal for everyone involved in financing affordable housing. The "One Stop" application developed by MHIC, in conjunction with other lenders, represents a major step toward meeting that goal.

President Clinton's proposal to support "community development banks" holds some promise for the future. In particular, it means that the idea behind MHIC is gaining broad-based acceptance. The idea is that specialized financial institutions are needed to meet community needs, and that those institutions should be established to function on a "self sustaining" basis. In other words, investing in affordable housing can and should make sound business sense.



David A. Spina, Chairman



Joseph L. Flatley, President

We wish to extend special thanks to our member banks, who have embarked with us on this journey to create a better way to finance affordable housing.

Sincerely,

A handwritten signature in black ink, appearing to read "David A. Spina". The signature is fluid and cursive, with a long horizontal stroke at the end.

DAVID A. SPINA
Chairman

A handwritten signature in black ink, appearing to read "Joseph L. Flatley". The signature is cursive and somewhat stylized, with a large initial "J".

JOSEPH L. FLATLEY
President

October 1993



Massachusetts
**Housing
Investment
Corporation**

1993 Annual Report

During its third year of operation, the Massachusetts Housing Investment Corporation continued to make measurable progress toward improving and expanding the financing of affordable housing throughout the Commonwealth. To further its mission, MHIC this year focused on creating new, innovative ways to simplify the financing process and to make financing more accessible and attractive to nonprofit and for-profit developers.

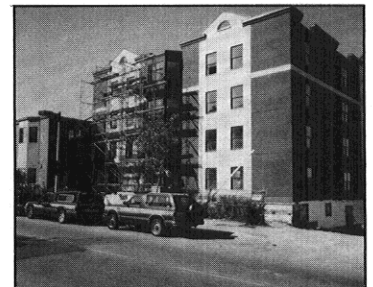
To broaden its base of potential investors and to streamline the investment process, MHIC has restructured its Equity Program and shortly will introduce the Massachusetts Housing Equity Fund, a new initiative designed to attract corporate investors.

Entering its fourth year, MHIC can point to 46 projects – representing over \$102 million and 1,672 units of affordable housing – that have been approved or are under way. Twenty-nine projects have been closed or completed, ten projects are in the process of closing, and, in its active pipeline, MHIC has an additional 20 projects in pre-commitment stages.

To make it easier for borrowers to finance rental housing, MHIC and the Massachusetts Housing Partnership (MHP) Fund have initiated a joint financing program for borrowers that provides “one stop” shopping for construction and permanent financing. Under this initiative, MHIC originates both the construction and the permanent loan for qualifying projects, manages the loan until construction is completed, and then sells the permanent loan to the MHP fund. This new structure will result in substantial savings, both in time and money, particularly for many smaller projects being financed today.

To simplify the process of applying for financing of any kind, MHIC, in conjunction with other affordable housing lenders, designed and released a new “One Stop” application for use with all participating

MHIC has
committed over
\$102 million in
pooled investments
to 46 affordable
housing projects.



Prang Estates, Boston

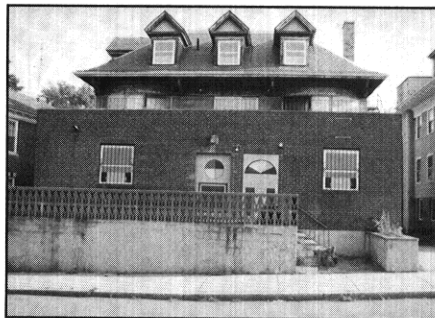
MHIC gives priority to projects with minority participation or which have significant impact on minority neighborhoods.

agencies. This single application process eliminates the redundant and burdensome paperwork usually required to gain financing and, since it was introduced in May, it has gained wide acceptance among project sponsors and developers. Since that time, 80 "One Stop" applications, representing over 4,000 units of housing, have been submitted to participating agencies.

Over the next three years, MHIC plans to continue to focus its resources and activities around the following strategic goals:

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, rather than each project itself being a prototype.*
4. *To develop and implement a pilot program to provide permanent financing for affordable rental and cooperative housing.*
5. *To focus primarily, though not exclusively, on rehabilitation of existing housing stock, and on smaller projects.*
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.*

As an institution established by private banks in collaboration with community leaders, MHIC depends on a partnership among banks, housing sponsors, and public agencies to successfully achieve its mission. MHIC is dedicated to solidifying this partnership and to building on the strong foundation now in place to respond to the most pressing need: to provide affordable housing for the citizens of Massachusetts.



123 Crawford Street, Roxbury,
before construction



123 Crawford Street, Roxbury,
after construction



Loan Program

Under MHIC's Loan Program, the volume of loan commitments and originations has grown significantly over the past year.

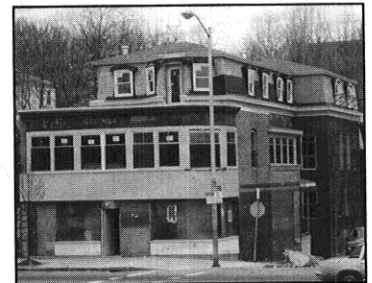
The Construction Loan Program – one of the first programs established by MHIC – provides loans to developers for new construction and for rehabilitation of existing housing stock from a revolving loan pool funded by member banks. The pooling of funds allows lenders to minimize discrete project risk and maximize the use of funds for the projects. MHIC has an established Loan Policy and Credit Guidelines that are designed to ensure that proposed loans adhere to fundamental credit principles, while allowing some flexibility in underwriting. Credit approval, which utilizes MHIC procedures to thoroughly review each loan request, is centralized in a Loan Committee comprised of individuals representing member banks. Loans are typically under \$3 million and are made for both rental and homeownership projects throughout the state. (See pages 7 to 12 for more detail on project loans approved to date.) These loans do not replace traditional financing available from banks; instead, loans from MHIC supplement the financing already available by focusing banks' real estate lending skills and minimizing risk through the pooled investment vehicle.

To date, over \$52 million has been raised from participating banks. Of that amount, \$35 million (67%) has been committed to 32 project loans, comprising a total of 1,030 units of affordable housing.

Over the coming year, MHIC's Loan Program is being expanded, so that MHIC will be able to originate permanent as well as construction loans. Under this new initiative, MHIC will originate mortgage loans which will be sold to the MHP Fund once construction is completed. This initiative should facilitate the underwriting and closing process, reduce transaction costs, and provide improved access to financing.

Investments in the Loan Program by MHIC member banks are listed on the following page.

MHIC has raised \$52 million from member banks, and has approved \$35 million in loans.



800 Main Street, Worcester



41 Berkeley Street, Lawrence

Bank of Boston	\$15,000,000
Shawmut Bank	\$10,000,000
Fleet Bank	\$10,000,000
BayBank	\$6,000,000
State Street Bank	\$4,600,000
Massachusetts Company	\$1,500,000
Wainwright Bank	\$1,000,000
FDIC (Workingmen's Coop Bank)	\$1,000,000
UStTrust	\$1,000,000
Sterling Bank	\$500,000
Newworld Bank	\$500,000
Springfield Institution for Savings	\$250,000
Bank of Commerce	\$250,000
Atlantic Bank	\$250,000
Stoneham Savings	\$250,000
Boston Private Bank	\$150,000
TOTAL	\$52,250,000

Over the next year, MHIC intends to improve utilization of the Loan Program by eliminating barriers that sponsors often encounter in pulling together feasible projects. Specifically, MHIC will:

- provide origination of permanent financing, through the MHP Fund;
- work with public agencies to simplify the process of assembling necessary financing;
- develop project "prototypes" to help guide project sponsors in assessing project feasibility;
- simplify and standardize loan documentation;
- continue to simplify and improve the "One Stop" financing application ; and
- market MHIC's programs to prospective project sponsors, providing technical assistance where necessary.



Lopes Buildable Lots, Boston



Equity Program

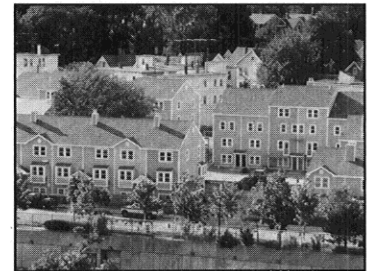
Over the past year, MHIC has closed ten equity investments totaling \$29.2 million. Participating investors have committed to an additional four investments that will close in the coming months, totaling \$9.9 million. (For details on these projects, see pages 7 to 12 of this *Annual Report*.) After three years of operation, MHIC's Equity Program has placed more than \$67 million of equity in 23 developments representing a total of 1,023 units of housing. Of that total, approximately \$51 million came from MHIC's member banks, with the balance leveraged from other banks and corporations.

This pace is ahead of MHIC's original goal of \$100 million of investment over five years, and amply demonstrates the importance of a reliable source of equity for affordable housing developments of all types, for both non-profit and for-profit sponsorship, available throughout Massachusetts.

Three years of operation have provided a valuable testing ground for the approach MHIC and its participating investors developed for selecting, underwriting, and closing project investments. The goals were to simplify the investment process, to minimize risks to investors, to reduce the transaction costs, and to maximize the net equity investment available for project purposes. To a significant degree, these goals have been achieved. In particular, net equity financing available to a project through the MHIC Equity Program is greater than that available through any other syndication source.

The process of financing affordable housing remains complex and time-consuming. Not all of the complexity, nor all of the expenditure of time, is attributable solely to the syndication process, but three years of experience has highlighted many areas where improved procedures and revised policies can significantly streamline the syndication process and contribute to overall cost and time savings.

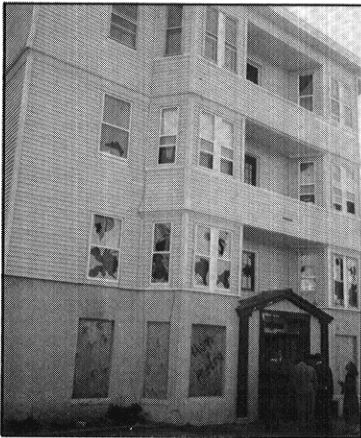
The capital commitments of MHIC's original investors have flowed into housing that is now occupied or under construction. The scale of the ongoing need for equity has made it increasingly clear that the pool of



Stony Brook Gardens, Boston

Net tax credit equity available to a project through MHIC is greater than that from any other source.

**Participating banks
and corporations
are investing \$67
million in 23
projects.**



Beaver Apartments, Worcester

investors for affordable housing must be expanded. In order to achieve a steady investment rate of \$25 to \$30 million dollars annually, the Equity Program must attract investment from all segments of the corporate world.

In response to the evident need for a continuing source of dependable and predictable equity financing, MHIC has worked over the past year to restructure its Equity Program. As a result, MHIC is now positioned to launch the Massachusetts Housing Equity Fund. The Fund is intended to build on MHIC's early success to attract a broad range of corporate investors and to streamline the investment process. The Fund is organized as a Massachusetts limited partnership. The Massachusetts Housing Equity Fund, Inc. (MHEF) is a wholly owned subsidiary of MHIC, and will act as general partner of the investment partnership.

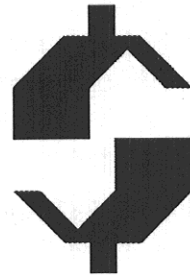
The Fund will provide several advantages to corporate investors:

- An option of an eight year pay-in to the Fund, permitting the annual investment to coincide with the receipt of tax benefits.
- The ability to geographically target the use of investment funds.
- Centralized underwriting, tax review, and closing process, alleviating the need for the commitment of in-house resources to effect the investment.
- The security of fund-level as well as project-level reserves, and long-term asset management.

At the same time that the Fund is being structured to broaden the pool of investors, it is being designed to improve the investment process for project sponsors, while maintaining the attractive yield to projects that has made MHIC's Equity Program the equity source of first choice among Massachusetts' affordable housing sponsors. Specifically, the Fund will:

- enable developers to secure their equity entirely from one source;
- reduce the costs associated with the preparation of offering materials and projections, with centralized underwriting; and
- provide sponsors with a timely indication of the likelihood of receiving equity through the Fund.

The Fund's *1993-94 Offering Memorandum* is now being reviewed by prospective investors. It is the culmination of nearly a year's worth of work by MHIC staff and investors, and represents a natural progression from the organization's initial approach to investing equity in affordable housing. With this change in structure, MHIC remains committed to providing the greatest amount of equity possible to the broadest range of housing sponsors who are working to meet the critical housing needs of Massachusetts communities.



Projects

In its first three years of operation, MHIC has committed over \$102 million to 46 projects under its Loan and Equity Programs. These figures represent 1,672 units of affordable housing for Massachusetts residents.

To date, 17 projects have been completed and are occupied; 12 projects are under construction; ten projects are scheduled for closing; and seven projects have been approved and are currently inactive.

Through MHIC, 23 projects have received direct financing under the Construction Loan Program, 15 projects are receiving funding under the Equity Program, and eight are receiving funding from both programs. MHIC's Loan and Equity Committees, in evaluating project proposals, strictly follow established guidelines and carefully underwrite projects' financing to ensure that the projects will successfully serve the housing needs of the Commonwealth's residents.

Following are brief descriptions of the 28 MHIC projects which were completed or initiated over the last year:

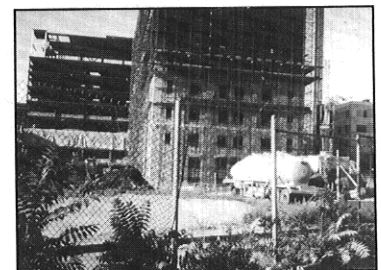
120 Beacon Street Apartments: Rehabilitation of an uncompleted office building into 33 apartments in Somerville, with a walk-in health facility on the ground floor. 30% of the units will be rented to low and moderate income families. Loan amount: \$2,828,749. Approved.

123 Crawford Street SRO: 17-unit single-room-occupancy (SRO) project in Roxbury, being developed by the Boston Citywide Land Trust. Twelve of the units will house clients of the Department of Mental Health. Loan amount: \$441,000. In construction.

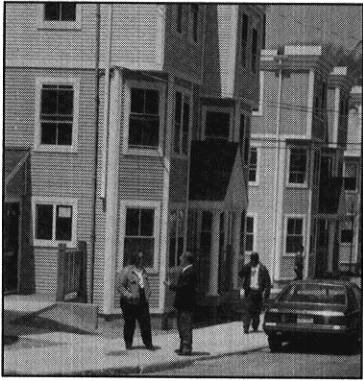
326 Shawmut Avenue SRO: 11-unit SRO project in Boston's South End, developed by Inquilinos Boricuas en Accion, a community development corporation serving Boston's Latino community, to serve clients of the Department of Mental Health and homeless individuals. Loan amount: \$301,500. Completed and occupied.



*Alexander-Magnolia Cooperative,
Boston*



Site for Oak Terrace, Boston



Hyde Square Cooperative,
Jamaica Plain

41 Berkeley Street: Rehabilitation of 3 buildings into 38 rental units affordable to low income families in Lawrence. The developer is a non-profit organization, the Heritage Common Community Development Corporation. Total loan amount (with Andover Bank): \$564,400. Scheduled to close: October 1993.

800 Main Street: 5 affordable rental units, 2 store fronts and 2 offices. The project is a renovation of an existing mixed-use structure in Worcester. This project was developed by Frank Zitomersky, a developer active in the Worcester market. Loan amount: \$175,000. Completed and occupied.

Alexander Magnolia Cooperative: The fourth Boston Coop Initiative project consists of 38 cooperative units on vacant land near Upham's Corner in Dorchester. The developer is Dorchester Bay Economic Development Corporation. Loan amount: \$1,000,000. Equity Investment: \$4,516,500. In construction.

Beaver Apartments: Rehabilitation of 26 rental units in 3 adjacent Worcester buildings with street-level commercial spaces. The developer is Main South Community Development Corporation. Equity investment: \$675,000. Completed and occupied.

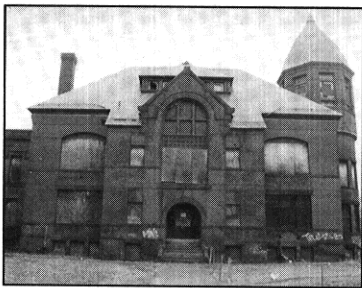
Building 104: Rehabilitation and adaptive reuse of Charlestown Navy Yard building into 46 units affordable elderly housing, being developed by Bricklayers Union. Total equity investment: \$5,330,000. Scheduled to close: November 1993.

Cherry Hill: New construction of 32 duplex, triplex and single family homeownership units located in North Amherst. Sixteen units will be targeted for low income buyers and 6 for moderate income buyers. The developer is the Cherry Hill Development Corporation. Loan amount: \$2,801,405. Scheduled to close: October 1993.

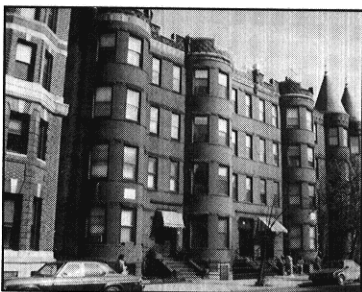
Cortes Street: Rehabilitation of four buildings into 48 affordable SRO units in the Bay Village section of the South End. The developer is Boston Aging Concerns – Young and Old United. Equity investment: \$1,300,000. Completed and occupied.

Cushing Place: New construction of an 11-unit for-sale townhouse development located in the Fields Corner neighborhood of Boston. Six of the 11 units will be affordable. The developer is Harold Proctor. Loan amount: \$800,000. Scheduled to close: November 1993.

Daly House SRO: Rehabilitation of building in Roxbury by Nuestra Comunidad, a community-based non-profit, into 19 SRO units, some for clients of the Department of Mental Health, and some for individuals with AIDS. Loan Amount: \$450,000. Completed and occupied.



Tapley School, Springfield



Parkview SRO, Boston

Father Walter J. Martin Housing: 34-unit low-income limited equity cooperative in South Boston, the third Boston Coop Initiative project, being developed by South Boston Community Housing, Inc. Loan amount: \$1,600,000. Equity investment: \$4,132,500. In construction.

Grinnell Congregate: Rehabilitation of historic property in New Bedford into 17-unit congregate elderly housing, being developed by WHALE and Inter-Faith Church Council, two local non-profits. Total equity investment: \$920,000. Scheduled to close: October 1993.

Hyde Square Cooperative: 41-unit limited equity cooperative in Jamaica Plain, the second Boston Coop Initiative project, developed by the Neighborhood Development Corporation of Jamaica Plain. All of the units are affordable to low-income families. Loan amount: \$1,200,000. Equity investment: \$3,430,000. Completed and occupied.

Jacob's Place: 30-unit affordable homeownership project near Codman Square in Dorchester. Boston Neighborhood Housing Services is developing 3-bedroom homes in 15 duplex structures. Total loan amount (with Boston Five Cents Savings Bank): \$1,904,000. Phase I is completed and partially sold.

Kendall SRO: Rehabilitation of former Kendall Hotel in Chicopee into 44-unit affordable SRO, developed by Housing Allowance Project. Total equity investment: \$783,500. Scheduled to close: October 1993.

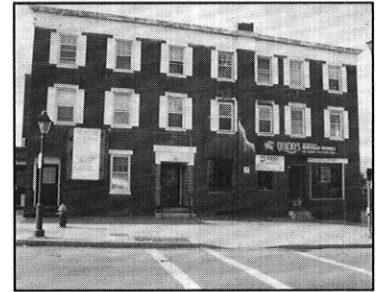
Lopes Buildable Lots: New construction of 4 units of affordable homes on city-owned sites in Roxbury. All units were sold to low income families. Lopes Construction Company, a minority contractor, is the developer. Loan amount: \$298,300. Completed and sold out.

Lucerne Gardens Cooperative: 45-unit project involving new construction of 19 buildings in Dorchester, being developed by Patrick Lee, Duane Jackson, and Jim Keefe. Total equity investment: \$3,490,000. In construction.

Merriam Village II: New construction of a 30-unit rental development in Weston, phase two of a total 62-unit development for low and moderate income elderly residents. The developer is Weston Community Housing, Inc., a local non-profit organization. Loan amount: \$2,691,204. Scheduled to close: November 1993.

North Hill Homes: 23-unit single-family affordable homeownership project which was developed on the site of the former Lyman State School in Westborough. This project was developed by Sotir Papalilo and Jack McBride. Loan Amount: \$1,700,000. Completed and sold.

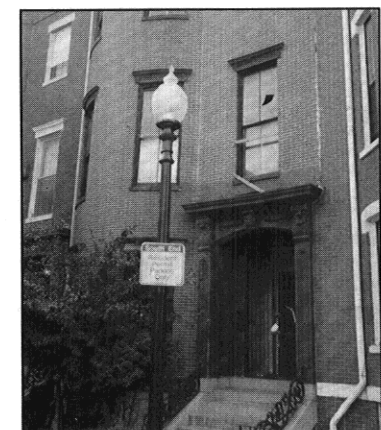
Oak Terrace: New construction of 88-unit mixed-income rental housing in the Chinatown section of Boston. The developer is the Asian Community Development Corporation. Total loan amount: \$8,000,000;



Kendall SRO, Chicopee, pre-construction



Cortes Street SRO, Boston



326 Shawmut Avenue SRO, Boston

MHIC purchased a 37% participation from the Massachusetts Housing Finance Agency. Equity investment: \$6,400,000. In construction.

Parkview SRO: Rehabilitation of two buildings in the Fenway neighborhood of Boston into 63 affordable SRO units. Caritas Communities, a non-profit organization, is the developer. Loan amount: \$1,195,000. Equity investment: \$1,451,000. Completed and occupied.

Pomeroy Lane: 25-unit limited equity cooperative in Amherst, with 18 units affordable to low-income individuals and nine units reserved for persons with physical or cognitive disabilities. Developed by Abodes, a local non-profit, and the Housing Allowance Project, Inc. Equity investment: \$1,436,000. In construction.

Prang Estates: Rehabilitation of 2 buildings into a 33-unit low income rental housing complex in Roxbury. The project is being developed by Cruz Development Corporation. Loan amount: \$1,199,368. Equity investment: \$2,365,000. In construction.

Standpipe Hill: 40 newly-constructed units of affordable rental housing in 7 buildings, being built on 9 acres of town-donated land in Manchester-by-the-Sea. The developer is The Community Builders, Inc. Loan amount: \$1,340,564. Approved.

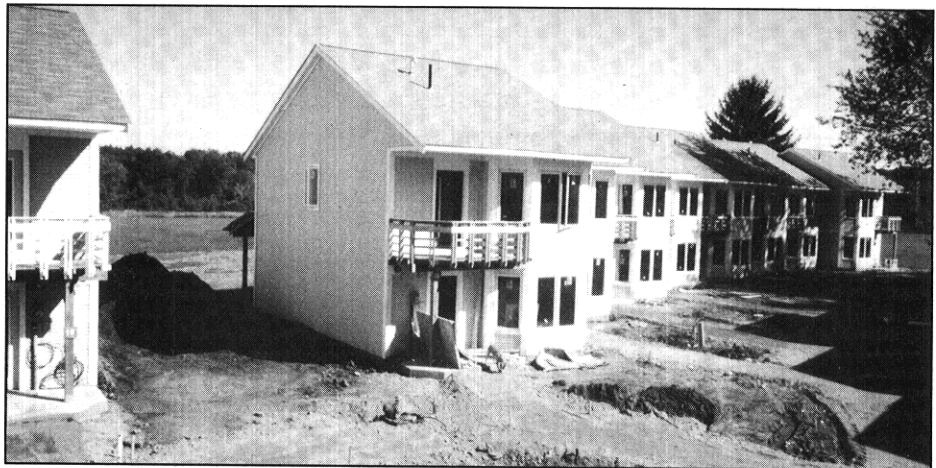
Stony Brook Gardens: 50-unit limited equity cooperative in Jamaica Plain developed by Urban Edge Housing Corporation as part of the Boston Coop Initiative, under the sponsorship of the City of Boston and the Metropolitan Boston Housing Partnership. Loan amount: \$1,900,000. Equity Investment: \$4,942,000.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

Tapley School: Adaptive reuse and rehabilitation of a 19th-century historic school building in Springfield into 30 units of affordable rental housing. The developer is Geoffrey Sager. Loan amount: \$1,557,850. Equity investment: \$2,981,050. Scheduled to close: October 1993.



Fr. Walter Martin Cooperative, Boston, under construction

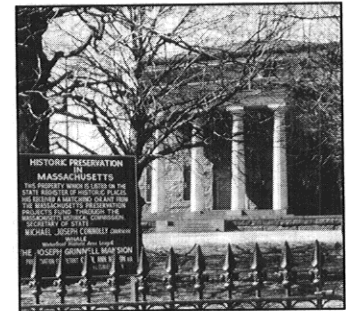
28 projects
financed by MHIC
were completed or
initiated in the last
year.



Pomeroy Lane, Amherst, under construction

The following table summarizes all of the project loans and investments approved through MHIC's programs.

Project	Units	Loan Amount	Equity Amount	Status
120 Beacon Street, Somerville	33	\$2,828,947		Approved, Not Yet Closed
123 Crawford Street SRO, Boston	17	\$441,000		In Construction
1734 Washington St., Boston	31		\$1,097,500	Completed, Occupied
326 Shawmut Ave. SRO, Boston	11	\$301,500		In Construction
41 Berkeley Street, Lawrence	44	\$574,400		Approved, Not Yet Closed
604 Massachusetts Ave., Boston	5	\$380,000		Completed, Occupied
800 Main Street, Worcester	5	\$175,000		Completed, Occupied
Alexander Magnolia Coop., Boston	38	\$1,000,000	\$4,516,500	In Construction
Beaver Apartments, Worcester	26		\$675,000	In Construction
Brooks School, Boston	56		\$2,730,000	Completed, Occupied
Building 104, Boston	46		\$5,330,000	Approved, Not Yet Closed
Cherry Hill, Amherst	32	\$2,801,405		Approved, Not Yet Closed
Cortes Street SRO, Boston	48		\$1,300,000	Completed, Occupied
Cushing Place, Boston	11	\$800,000		Approved, Not Yet Closed
Daly House SRO, Boston	19	\$450,000		In Construction
Dorchester Bay Homes, Boston	12	\$730,000		Completed, Occupied
Fr. Walter Martin Coop., Boston	34	\$1,600,000	\$4,132,500	In Construction
Grinnell Congregate, New Bedford	17		\$920,000	Approved, Not Yet Closed
Haley House SRO, Boston	24	\$488,000		Approved, Inactive
Humboldt Avenue Apts., Boston	20	\$350,000		Approved, Inactive
Hyde Square Coop., Boston	41	\$1,200,000	\$3,430,000	In Construction
Jacob's Place, Boston	30	\$952,000		In Construction
Kendall SRO, Chicopee	44	\$539,682	\$783,500	Approved, Not Yet Closed
Langham Court, Boston	84		\$4,275,000	Completed, Occupied
Lopes Buildable Lots, Boston	4	\$298,300		Completed, Occupied
Lucerne Gardens, Boston	45		\$3,490,000	In Construction
Merriam Village, Weston	32	\$2,691,204		Approved, Not Yet Closed
North Hill Homes, Westborough	23	\$1,700,000		Completed, Occupied
Oak Terrace, Boston	88	\$2,983,700	\$6,400,000	In Construction
Parkview SRO, Boston	63	\$1,195,000	\$1,451,000	Completed, Occupied
Parmelee Court, Boston	74		\$2,800,000	Completed, Occupied
Pomeroy Lane, Amherst	25		\$1,436,000	In Construction
Prang Estates, Boston	33	\$1,199,368	\$2,365,000	In Construction
Ridgewood Village II, Chicopee	50	\$1,177,500		Completed, Occupied
Ridgewood Village III, Chicopee	68	\$1,700,000		Approved, Inactive
Rollstone Ledge Coop., Fitchburg	24	\$450,000		Approved, Inactive
Roxbury Corners, Boston	54		\$3,575,000	Completed, Occupied
Ryder Woods, Sandwich	76	\$595,000		Approved, Inactive
South City Apts., Holyoke	66		\$3,125,000	Completed, Occupied
Standpipe Hill, Manchester	40	\$1,340,584		Approved, Not Yet Closed
Stony Brook Gardens, Boston	50	\$1,900,000	\$4,942,000	Completed, Occupied
St. Charles Apts., Pittsfield	25	\$730,000		Approved, Inactive
Tapley School, Springfield	30	\$1,557,850	\$2,981,050	Approved, Not Yet Closed
Tavares Buildable Lots, Boston	4	\$288,000		Approved, Inactive
Veterans Benefit Clear., Boston	30		\$3,360,000	Completed, Occupied
Waterford Place, Boston	40		\$2,000,000	Completed, Occupied
Total	1672	\$35,418,440	\$67,115,050	



Grinnell Congregate, New Bedford

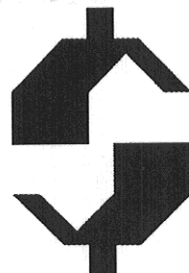
The seventeen member banks participating in MHIC, along with other corporate investors, have collectively committed over \$124 million to finance affordable housing developments. The current status of these commitments is outlined in the following table.

(Note: All figures are in \$1,000's.)

<i>Summary by Bank</i>	<i>Construction Loan Program</i>		<i>Equity Investment Program</i>			<i>Overall Bank Total</i>	
	<i>Capitalized</i>	<i>Committed</i>	<i>Committed</i>	<i>Closed</i>	<i>In Process</i>	<i>Commitment</i>	<i>Invested/</i>
		<i>Invested</i>					<i>In Process</i>
Shawmut Bank	10,000	6,779	10,000	7,684	1,114	20,000	15,576
Fleet Bank	10,000	6,779	10,000	8,332	850	20,000	15,961
BayBank	6,000	4,067	10,000	7,174	1,130	16,000	12,371
Bank of Boston	15,000	10,168	0	0	0	15,000	10,168
Boston Safe Deposit and Trust	0	0	15,000	13,196	1,600	15,000	14,796
State Street Bank and Trust	4,600	3,118	10,000	9,344	0	14,600	12,462
The Massachusetts Company	1,500	1,017	0	0	0	1,500	1,017
Wainwright Bank	1,000	678	0	0	0	1,000	678
FDIC (Workingmens)	1,000	678	0	0	0	1,000	678
UStTrust	1,000	678	0	0	0	1,000	678
Springfield Institution for Savings	250	169	500	0	0	750	169
Sterling Bank	500	339	0	0	0	500	339
Newworld Bank	500	339	0	0	0	500	339
Boston Bank of Commerce	250	169	179	179	0	429	348
Atlantic Bank and Trust	250	169	0	0	0	250	169
Stoneham Savings Bank	250	169	0	0	0	250	169
Boston Private Bank	150	102	0	0	0	150	102
Other Banks and Corporations	0	0	16,512	11,192	5,320	16,512	16,512
Total	52,250	35,418	72,191	57,101	10,015	124,441	102,533



Lucerne Gardens, Boston, under construction



Finances of the Corporation

The Corporation is designed to be self-supporting, covering its expenses with revenue from its two main programs. Under the Loan Program, MHIC earns an interest rate spread of 1% to 1.5%. To support the finances of the Corporation, participating banks accept a lower return of interest on invested loan balances.

Under MHIC's Equity Program, MHIC charges participating banks for analyzing, standardizing, and managing tax credit equity investments, based on a percentage of their level of investment, and fees are collected from investment proceeds to cover MHIC expenses. In the future, MHIC will earn fees for managing the Massachusetts Housing Equity Fund.

In February 1993, the Corporation secured approval from the Internal Revenue Service (IRS) of its status as a 501(c)(3) charitable non-profit corporation.

The Corporation completed its third 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 \$125,000 for a reserve against potential future loan losses. A Credit Review Committee comprised of members of the Board reviewed the Corporation's portfolio of loans, affirmed the risk ratings of each loan, and concluded that there was no need to establish any reserves for specific credits.

**The Corporation
completed its third
year and was able
to cover its
expenses from
program revenue.**

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, 1993 and 1992, 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, 1993 and 1992, 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 18, 1993

Massachusetts Housing Investment Corporation

Balance Sheets

	June 30	
	1993	1992
Assets		
Cash	\$ 200,998	\$ 312,744
Loan Fund:		
Project loans, net of allowance for loan losses of \$125,000 in 1993 and \$80,000 in 1992	3,047,543	847,756
Money market deposits at member banks	49,077,457	50,322,244
Total Loan Fund	52,125,000	51,170,000
Amounts receivable and other assets	61,063	94,220
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$88,565 in 1993 and \$53,566 in 1992	59,652	56,822
Total Assets	\$52,446,713	\$51,633,786
 Liabilities and Net Assets		
Liabilities:		
Notes payable to member banks	\$52,250,000	\$51,250,000
Unearned equity program fees		190,176
Accrued interest and other liabilities	155,295	154,443
Total Liabilities	52,405,295	51,594,619
 Net Assets	41,418	39,167
 Total Liabilities And Net Assets	\$52,446,713	\$51,633,786

See accompanying notes to financial statements.

Massachusetts Housing Investment Corporation

Statements of Revenues and Expenditures

	—Year ended June 30—	
	1993	1992
Revenue:		
Interest revenue:		
Interest revenue on bank deposits	\$1,247,455	\$1,700,473
Interest revenue on project loans	161,290	75,848
Total interest revenue	1,408,745	1,776,321
Interest expense on notes payable to member banks	867,302	1,325,229
Net interest revenue before provision for loan losses	541,443	451,092
Provision for loan losses	(45,000)	(80,000)
Net interest revenue after provision for loan losses	496,443	371,092
Equity program fees	379,668	225,427
Total Revenue	876,111	596,519
 Expenditures:		
Salaries and employee benefits	550,721	383,399
Professional services	54,822	43,856
Occupancy, equipment and furniture	136,499	53,984
Other expenses	131,818	90,767
Total Expenditures	873,860	572,006
 Excess of Revenue over Expenditures	2,251	24,513
 Net Assets at Beginning of Year	39,167	14,654
Net Assets at End of Year	\$41,418	\$39,167

See accompanying notes to financial statements.

Massachusetts Housing Investment Corporation

Statements of Cash Flows

	— Year ended June 30 —	
	1993	1992
Operating Activities		
Excess of revenue over expenditures	\$ 2,251	\$ 24,513
Adjustments to reconcile excess of revenue over expenditures to net cash provided by (used for) operating activities:		
Provision for loan losses	45,000	80,000
Depreciation and amortization expense	34,999	40,965
Decrease (increase) in amounts receivable	33,157	6,201
(Decrease) increase in unearned equity program fees	(190,176)	(34,116)
Increase in accrued interest and other liabilities	852	1,321
Total adjustments	(76,168)	94,371
Net cash provided by (used for) operating activities	(73,917)	118,884
Investing Activities		
Decrease (increase) in project loans, net	(2,244,787)	(927,756)
Decrease (increase) in money market deposits at member banks	1,244,787	(15,322,244)
Purchases of furniture, equipment and leasehold improvements	(37,829)	(24,560)
Net cash used in investing activities	(1,037,829)	(16,274,560)
Financing Activities		
Proceeds from notes payable to member banks	1,000,000	16,250,000
Net cash provided by financing activities	1,000,000	16,250,000
Net increase (decrease) in cash	(111,746)	94,324
Cash at beginning of year	312,744	218,420
Cash at end of year	\$ 200,998	\$ 312,744
 Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest on notes payable to member banks	\$ 910,423	\$ 1,362,436

See accompanying notes to financial statements.

Massachusetts Housing Investment Corporation

Notes to Financial Statements

1. Background and Accounting Policies

Purpose

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.

In June 1993, MHIC established a wholly-owned subsidiary, Massachusetts Housing Equity Fund, which will become the General Partner in the Massachusetts Housing Equity Fund 1993-94 limited partnership, a limited partnership structured for investment in qualifying project partnerships providing low-income housing in Massachusetts.

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

MHIC has been granted tax-exempt status as a 501(c)(3) corporation under federal tax law.

2. 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. The notes accrue interest at 1% less than the annual interest rate earned on the interest-bearing accounts. All lent proceeds bear interest at the 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, 1993, outstanding borrowings under these agreements totaled \$52,250,000.

Massachusetts Housing Investment Corporation

Notes to Financial Statements (continued)

3. Project Loans

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

Project loan activity is as follows:	1993	1992
Beginning balance	\$ 927,756	\$ 0
Loan disbursements	7,452,787	1,947,371
Loan repayments	<u>(5,208,000)</u>	<u>(1,019,615)</u>
Project Loans Outstanding	3,172,543	927,756
Allowance for loan losses	<u>(125,000)</u>	<u>(80,000)</u>
Project Loans, Net	<u>\$3,047,543</u>	<u>\$847,756</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, 1993, MHIC had no delinquent or nonperforming project loans.

4. Commitments

At June 30, 1993, MHIC had unfunded loan commitments of \$7,671,797. These commitments have been established and approved pursuant to MHIC's loan policy.

5. Leases

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

1994	80,920
1995	80,920
1996	80,920
1997	80,920
1998	<u>13,487</u>
TOTAL	<u>\$337,167</u>

MHIC incurred rent expense of \$91,135 during 1993 associated with office space and equipment.

6. Retirement Plan

As a tax-exempt 501(c)(3) corporation, MHIC established a noncontributory, defined contribution plan under Section 401(a) of the Internal Revenue Code covering all full-time employees. The costs associated with this plan have been accrued accordingly.

MHIC Staff

Joseph L. Flatley, *President*

Joseph P. Henefield, *Director of Equity Investments*

Andrea R. Daskalakis, *Director of Equity Underwriting*

Michelle D. Dowd, *Vice President of Lending*

William A. Thompson, *Manager of Accounting*

Ellen P. Connolly, *Finance Specialist*

Carolyn Anderson Navarro, *Equity Project Officer*

Deanna S. Ramsden, *Loan Coordinator*

Marianne M. Horan, *Office Manager*

Deborah R. Lack, *Equity Administrative Assistant*

Lisa A. Gillis, *Administrative Assistant*

Board of Directors

David A. Spina, *Chairman*
State Street Bank and Trust

Guilliaem Aertsen, *Vice-Chairman*
Bank of Boston

B. John Dill
Springfield Institution for Savings

Ronald A. Homer
Boston Bank of Commerce

Susan Winston Leff
Shawmut Bank

Sylvia Watts McKinney
Minority Developers Association

Walter E. Mercer
Fleet Bank of Massachusetts

Mary Nee
City of Boston, Public Facilities Department

J. David Officer
Boston Safe Deposit & Trust Company

Peter B. Sargent
BayBank

Marvin M. Siflinger
Massachusetts Housing Finance Agency

John H. Vogel
Jamaica Plain Neighborhood Development Corporation

Kenneth D. Wade
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