



160 Federal Street
Boston, MA 02110

Massachusetts Housing Partnership (MHP) Request for Proposals (RFP) for Investment Advisory Services

Issue Date: March 1, 2023
Due Date: March 15, 2023

FOR MORE INFORMATION REGARDING THIS RFP

contact Mary Hembree, mhembree@mhp.net, 260-442-2116

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Proposer's Submittal Checklist

Proposals must be emailed by the time and date designated in the Request for Proposals (RFP). It is the responsibility of the Proposer to email the Proposal by the indicated deadline to the designated location. MHP is not responsible for late or mishandled delivery. It is the responsibility of the proposer to check for any addendums on MHP's website, www.mhp.net. Failure to include any signed addenda could result in the disqualification of your proposal response.

All Proposals must be received electronically in non-editable PDF format. If you do not receive a notification of receipt, contact Mary Hembree at mhembree@mhp.net or 260-442-2116.

The following should be received to be considered responsive:

- Introductory Letter
- Experience, Qualifications, and Project Team
- Firm Strength and Stability
- Cost Proposal (*Exhibit A, submitted as a separate pdf*)
- Certification Statement for Corporation or Independent Contractor (*Exhibit B*)
- Non-Collusion and Conflict of Interest Certification (*Exhibit C*)
- Proposer Representations and Certification Regarding Debarment, Suspension and Other Responsibility Matters (*Exhibit D*)
- References (*Exhibit E*)
- Employee Background Check Program Certification (*Exhibit F*)
- Signed Addenda (if applicable)
- Certificate of Insurance evidencing required coverage (*see qualifications #11*)
 - a. Professional Liability insurance
 - b. Commercial General Liability Insurance
 - c. Cyber Liability Insurance
 - d. Employer's Liability Insurance
 - e. Umbrella coverage
 - f. Crime/Employee Dishonesty coverage

REQUEST FOR PROPOSALS

Introduction

The Massachusetts Housing Partnership (MHP) is requesting proposals from qualified individuals, teams, or firms interested in providing investment advice (“Advisor”) to MHP to support its investment strategy in conformance with its Investment Policy (see appendices). MHP desires to contract for services from an individual, team, or firm registered with the Securities and Exchange Commission (SEC) under the Investment Advisor’s Act of 1940 who will act in a fiduciary capacity for MHP and shall not act as a broker/dealer. Currently, MHP intends to buy and hold fixed income positions until maturity and does not intend to actively trade within its portfolio except to manage credit risk. Investment purchases will typically be made on a quarterly basis using cash from maturing investments and cash generated from MHP’s business activities.

The scope of work for the requested services includes the following:

- Review and provide feedback on MHP’s current Investment Policy.
- Serve as a general resource to MHP staff for information, advice and training regarding fixed income securities, investments, and treasury operations.
- Within the parameters of MHP’s investment policy and cash flow requirements and considering preservation of principal, assist in developing and implementing investment strategies to maintain or enhance portfolio quality.
- Recommend suitable investments and evaluate proposed orders consistent with the investment policy and MHP’s 10-year investment strategy. Assist in coordinating settlements upon request.
- Provide regular market condition updates to MHP, not less than quarterly.
- Meet with MHP staff at least quarterly to develop and update cash flow projections that ensure the investment strategy is consistent with MHP’s cash requirements and provide recommendations for investment changes or policy as needed.
- Report investment portfolio activity and performance, including earnings, cost, market value, unrealized gain or loss on securities, and accounting information in accordance with GAAP and GASB fair value reporting.
- Perform due diligence review of brokers, and financial institutions, and monitor creditworthiness as requested.
- Provide credit analysis of investment instruments in portfolio.
- Make presentations to MHP’s Investment Committee and the MHP Board’s Finance Committee, at least annually and as requested, on portfolio performance and recommendations on investment strategy.
- Comply with all federal and Commonwealth of Massachusetts laws.

Background and scope of operations

The Massachusetts Housing Partnership (MHP) is a statewide public non-profit affordable housing organization that works in concert with the Governor and the state Department of Housing and Community Development to help increase the supply of affordable housing in Massachusetts.

As of January 31, 2023, MHP currently holds about \$110 million in discretionary cash and investments and \$220 million in custodial or otherwise restricted funds. This proposal should be based on \$110-\$150 million in discretionary cash and investments annually over a three-year period.

MHP was established in 1985 to increase the state's overall rate of housing production and work with cities and towns to demonstrate new and better ways of meeting our need for affordable housing. In 1990, the state legislature took that premise to heart, becoming the first and only state in the nation to pass an interstate banking act that requires companies that acquire Massachusetts banks to make funds available to MHP for affordable housing.

MHP supports its mission in four principal areas:

- Rental Financing – MHP provides long-term financing for affordable rental housing and has provided \$1.8 billion in loans and commitments for multi-family rental housing. MHP uses funds from the banking industry to provide these loans since 1990 and has financed more than 29,000 apartments over its lending history.
- Homeownership - MHP offers the ONE Mortgage Program, a first-time homebuyer program for low- and moderate-income borrowers. ONE Mortgage and our new programs ONE+ Boston and MassDREAMS have helped more than 18,600 families purchase their first home with over \$4.6 billion in below market private financing.
- Community Assistance - MHP's Community Assistance team helps communities build affordable housing and has provided technical assistance in over 330 Massachusetts communities.
- Policy and Leadership – MHP's Center for Housing Data provides support and leadership in finding solutions to the housing problem statewide.

As of December 31, 2022, MHP's total assets are approximately \$700 million and employs 67 full-time people. MHP's employees are working a hybrid schedule at its Boston location and remotely. MHP's most recent audit for the years ended June 30, 2022 and 2021 is included with this RFP. MHP was rated by Standard and Poor's and assigned an A+ issuer credit rating (ICR), the most recent ratings report is included with this RFP.

MHP's seven-member Board of Directors is appointed by the Governor and includes the Secretary of Administration & Finance (or designee), the Secretary of the Department of Housing & Community Development (or designee), two members appointed by the Governor from recommendations by the Massachusetts Bankers Association and three additional designees. We invite you to learn more about MHP by visiting our website at www.mhp.net.

Submittal information

Proposals must be submitted no later than 12 noon , March 15, 2023 via email to Mary Hembree, mhembree@mhp.net and Charleen Tyson, ctyson@mhp.net.

Written proposals are not required but may be mailed or hand-delivered to:

Charleen Tyson
Chief Financial and Administrative Officer
Massachusetts Housing Partnership
160 Federal Street, 2nd Floor
Boston, MA 02110

RFP Schedule, selection process, timetable, and deliverables

MHP anticipates the following timeline for receiving and evaluating proposals and selecting an investment advisor. The timeline may be changed if it is in MHP's best interest to do so.

1. RFP issued, **March 1, 2023**.
2. We ask that you respond to and provide specific information described in the **Proposal Requirements** relating to your firm and your proposed team (reference checklist on page ii).
3. Provide this information no later than **March 15, 2023, 12 noon**. Access to key MHP staff will be provided.
4. MHP will review the materials submitted and select a smaller group of firms (2 to 4) who will be invited to meet with the MHP selection team. We expect to issue that invitation by **March 24, 2023**. Firms not invited will be advised in writing by email.
5. We plan to meet with firms invited to present proposals **March 27-31, 2023 and/or April 3-7, 2023**, as schedules permit.
6. Finalists will be invited to present to MHP's investment committee consisting of key finance team members and senior executives. MHP's Executive Director or designee is authorized to engage an investment advisory firm.

MHP will evaluate proposals on a qualitative basis. This includes our review of the firm's response to this RFP and related materials, results of discussions with other clients, and the firm's completeness and timeliness of the response.

Qualifications

2. Have at minimum of ten years' experience managing fixed income assets and investment advisory services with a minimum of five years' experience managing at least three governmental, quasi-governmental, or nonprofit organizations at least one of which must be in Massachusetts.
3. Advisors are preferred to have a minimum of \$1 billion dollars in assets under ongoing management and a proven history of managing domestic fixed-income assets for public, quasi-public, or nonprofit organizations.
4. Demonstrate the ability to provide the services required in this RFP and a proven history of providing such service for public agencies.
5. Advisors should demonstrate knowledge of the MHP investment policy (see Appendices).
6. Ability to assign an account manager with a minimum of five years' experience in investment management in Massachusetts to MHP's account.
7. Provide online reporting and analysis tools and reports. The online platform should provide portfolio information as of the prior day close.
8. Advisors must be a registered investment advisor and regulated by the Securities and Exchange Commission (SEC).
9. Advisors must be completely independent of any financial institution or securities brokerage firm or must fully disclose any such relationships.
10. Be registered representatives with FINRA.
11. Adhere to the CFA Institute's Code of Ethics and Standards of Professional Conduct.
12. Hold coverage for the following insurances (provide certificate evidencing coverage with your proposal):
 - a. Professional Liability insurance
 - b. Commercial General Liability Insurance
 - c. Cyber Liability Insurance
 - d. Employer's Liability Insurance
 - e. Umbrella coverage
 - f. Crime/Employee Dishonesty coverage
13. Have no record of unsatisfactory performance as evidenced by complaints filed with the SEC or any federal or state agency with jurisdiction over the services provided by the firm.

PROPOSAL REQUIREMENTS

Introductory Letter

- a. Firm's name, address, name and telephone number of a contact person, and the date of the proposal.
- b. Provide the name of person(s) authorized to represent the proposer in any negotiations and the name and title of the person(s) legally authorized to sign any contract that may result.
- c. Certify proposer meets the minimum insurance requirements, as set forth in this RFP.
- d. State the proposer's understanding of the work to be done and why the firm believes itself to be best qualified to perform the engagement.
- e. Confirm that your firm adheres to the CFA Code of Professional and Ethical Standards, www.cfainstitute.org/en/ethics-standards.
- f. Confirm that your firm is completely independent of any financial institution or securities brokerage firm; or fully and continuously disclose any relationships with such financial institution(s) and/or securities brokerage firm(s), and disclose any commissions, bonuses, or soft-dollar payments resulting from the firm's relationship with MHP.
- g. Confirm that your firm will not take possession of MHP monies or investment securities, nor have access to or control over such monies and/or securities.
- h. Provide a list of three (3) Massachusetts public, quasi-public, or non-profit organization client references for which your firm currently provides investment advisory services and/or manages funds. Include client name, contact personnel, address, phone number, length of time you have managed their assets, and a list of related services provided.

Firm Strength and Stability and Stability

- a. Provide an overview of the firm and corporate structure, resources, certifications, and licensing.
- b. Describe client base and range of asset values among government and nonprofit clients.
- c. Disclose potential conflicts of interest and, civil or criminal litigation
- d. Include sufficient detail to determine firm's financial strength and stability (provide audited financial statements if available).

Investment Management Approach and Discipline

- a. Briefly describe your firm's investment management philosophy.
- b. Describe the types of securities you would propose to purchase within the guidelines of MHP's investment policy, and how you would structure investments to provide liquidity.
- c. What are the primary strategies employed by your firm for adding value to fixed income portfolios.
- d. Describe how investment ideas are originated and researched, and how investment decisions are made. Explain how investment decisions are monitored and evaluated.
- e. Describe how your firm will review the credit of financial institutions and securities to be purchased from these institutions.
- f. What performance benchmarks would you suggest for the portfolio?
- g. Describe your procedures for portfolio review and client contact.
- h. Briefly describe any additional feature, attributes, or conditions, which MHP should consider in selecting your firm.
- i. Describe your firm's process for recommending investment policy changes and for ensuring investment policy compliance, preventing, and correcting investment policy exceptions and reporting of such compliance issues to MHP.
- j. What audit process does your firm employ?

Experience, Qualifications and Project Team

- a. Describe your firm's experience in managing investment portfolios for public, quasi-public, and nonprofit organizations, and specifically any relevant experience managing funds for such organizations in Massachusetts.
- b. Describe the team that will support MHP and the role of each individual.
- c. Provide adequate detail to determine the firm and proposed relationship team's qualifications and experience to provide the required services in the manner described in this RFP.
- d. Provide resumes for all key investment professionals who will be directly responsible for the investment of MHP funds. Include the following information: title, number of years at your firm, total number of years of experience, professional designations or licenses.
- e. Summarize your assets under management over the past five (5) years. Distinguish between public/quasi-public/nonprofit organization funds and funds managed for for-profit entities.
- f. Describe your firm's experience in developing investment policies and portfolio management guidelines for government/nonprofit organizations.
- g. Clarify whether your firm acts as a broker or as a dealer in securities or receive any other form of additional compensation (including soft dollars) for client transactions aside from the direct fee paid by clients.
- h. Include Part II of your most recent Form ADV. If you are exempt from registering with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940, please document your reasons.

Accounting and Reporting

- a. Describe the investment accounting and reporting system used by your firm and confirm that it complies with CFA standards. Confirm that your firm provides total return calculations.
- b. Describe your firm's online reporting capabilities.
- c. Describe your firm's ability to assist with GASB pronouncements and fair market value reporting, including GASB 31 and 72.
- d. Describe the frequency (at least quarterly) and format of reports that you would provide to MHP (including the methods and formulas used to calculate yield and performance). Include a sample report.

Fees

- a. Provide the annual fee schedule that would apply to this account for three years (see Exhibit A). Provide detail on your proposed fees, i.e., hourly rate, flat fee, assets under management, hybrid fee structure.
- b. Explain what expenses not covered by fees are expected to be paid by MHP.

ATTACHMENTS

Cost Proposal (Exhibit A)

For this Cost Proposal, provide a rate structure based on \$110 to \$150 million portfolio for three years and include a proposal for optional extensions. Identify and describe your proposed rate structure and annual cost. Additional pages should be submitted with the Cost Proposal including cost-related questions.

Investment Advisory Services Annualized Cost

Three-Year Cost:

July 2023 through June 2024 \$ _____

July 2024 through June 2025 \$ _____

July 2025 through June 2026 \$ _____

Sub-total three-year cost \$ _____

Optional Extensions:

July 2026 through June 2027 \$ _____

July 2027 through June 2028 \$ _____

Certification Statement for Corporation or Independent Contractor (Exhibit B)

A. Contractor is a Corporation, Limited Liability Company, or a Partnership

I certify under penalty of perjury that Contractor is a (check one):

Corporation Limited Liability Company Partnership Nonprofit Corporation

authorized to do business in the Commonwealth of Massachusetts

Signature: _____

Title: _____ Date _____

Contractor certifies under penalty of perjury, that the following statements are true:

1. Contractor is free to determine and exercise control over the means and manner of providing the services described in MHP's Investment Advisory RFP.

2. Contractor is responsible for obtaining all licenses or certifications necessary to provide the services.

Signature: _____ Date: _____

Non-Collusion, Conflict of Interest & Investment Policy Certification (Exhibit C)

The undersigned hereby proposes to furnish the services described in accordance with the RFP, exhibits, attachments, and addenda and certifies he/she/they are not in any way involved in collusion, discrimination, conflict of interest, and has read, understood, and agreed to comply with MHP’s Investment Policy.

Certifications Non-Collusion The undersigned hereby certifies that it, its officers, partners, owners, providers, representatives, employees and parties in interest, including the affiant, has not in any way colluded, conspired, connived or agreed, directly or indirectly, with any other Proposer, potential Proposer, firm or person, in connection with this solicitation, to submit a collusive or sham bid, to refrain from bidding, to manipulate or ascertain the price(s) of other Proposers or potential Proposers, or to secure through any unlawful act an advantage over other Proposers or MHP. The fees, prices, and Response submitted herein have been arrived at in an entirely independent and lawful manner by the Proposer without consultation with other Proposers or potential Proposers or foreknowledge of the prices or Responses to be submitted in response to this solicitation by other Proposers or potential Proposers on the part of the Proposer, its officers, partners, owners, providers, representatives, employees, or parties in interest, including the affiant.

Discrimination. The undersigned has not discriminated and will not discriminate against any minority, women, or emerging small business enterprise or against a business enterprise that is owned or controlled by or that employs a disabled veteran in obtaining a required subcontract.

Conflict of Interest The undersigned and each person signing on behalf of the Proposer certifies, and in the case of a sole proprietorship, partnership, or corporation, each party thereto certifies as to its own organization, under penalty of perjury, that to the best of their knowledge and belief, no member of the City Council, officer, employee, or person, whose salary is payable in whole or in part by the City, has a direct or indirect financial interest in the award of this Response, or in the services to which this Response relates, or in any of the profits, real or potential, thereof, except as noted otherwise herein. The undersigned hereby submits this Response to furnish all work, services, systems, materials, and labor as indicated herein and agrees to be bound by the following documents: Request for Proposals, Addenda, Agreement, Exhibits and Attachments, and associated inclusions and references, specifications, Proposer’s response, mutually agreed clarifications, appropriately priced change orders, exceptions which are acceptable to the City, and all other Proposer’s submittals.

Proposer must disclose any apparent or perceived conflict of interest, including but not limited to, current or past relationships with contractors, consultants, subconsultants/subcontractors, or engineers associated with this Project. If a perceived conflict may exist, then attach a letter of explanation disclosing the potential conflict or relationship.

Investment Policy The undersigned has read, understood, and agreed to comply with the most current version of the MHP’s Investment Policy.

Signature Block

The undersigned hereby certifies that the information contained in these certifications and representations is accurate, complete, and current. Firm Name	Telephone Number
Mailing Address, City, State, Zip	
	Email Address
Signature	Date

Proposer Representation and Certification regarding debarment, suspension, and other responsibility matters (Exhibit D)

The Proposer certifies to the best of its knowledge and belief that neither it nor any of its principals:

1. Are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from submitting bids or proposals by and federal, state, or local entity, department or agency;
2. Have within a five-year period preceding the date of this certification been convicted of fraud or any other criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) contract embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;\
3. Are presently indicted for or otherwise criminally charged with commission of any of the offenses enumerated in Paragraph 2 of this certification;
4. Have, within a five-year period preceding the date of this certification had a judgment entered against contractor or its principals arising out of the performance of a public or private contract;
5. Have pending in any state or federal court any litigation in which there is a claim against contractor or any of its principals arising out of the performance of a public or private contract; and
6. Have within a five-year period preceding the date of this certification had one or more public contracts (federal, state, or local) terminated for any reason related to contract performance.

If Proposer is unable to attest to any of the statements in this certification, Proposer must attach an explanation to their offer. The inability to certify to all the statements may not necessarily preclude the Proposer from award of a contract under this procurement.

SIGNATURE OF AUTHORIZED PERSON: _____ Date: _____

Print Name and Title _____

References (Exhibit E)

REFERENCES (provide 3 to 5 relevant references)

Organization Name _____	Phone _____
Contact Person _____	Email _____
Mailing Address _____	Contract Term _____
Project Description _____	

Background Check Program Certification (Exhibit F)

Proposers shall demonstrate and disclose to that he/she has an Employee Background Check Program in place before a contract can be awarded. By signing this Certification, the proposer does hereby certify and confirm that, as the proposed consultant for MHP's Investment Advisory Services contract, that an Employee Background Check Program is in place.

Proposer: _____

BY: _____

TITLE: _____

DATE: _____

APPENDICES

Massachusetts Housing Partnership Investment Policy

EFFECTIVE DATE: June 21, 2022 (board)

Previous Revisions: December 17, 2009, December 13, 2011, December 11, 2012 (board), May 23, 2013 (finance committee), December 18, 2013 (board), December 15, 2015 (board), April 21, 2017 (board), December 17, 2019 (board)

- 1.0 Purpose
- 2.0 Objectives
- 3.0 Scope
- 4.0 Approved List of Investments
- 5.0 Investment Requirements
- 6.0 Custody of Securities
- 7.0 Exception Management
- 8.0 Performance Measurement and Reporting
- 9.0 Roles and Responsibilities
- 10.0 Approval of Investments and Internal Controls

1.0 - PURPOSE

The purpose of this policy is to set guidelines for the parameters, responsibilities, and controls for the investment of discretionary funds that generate income for the benefit of Massachusetts Housing Partnership (MHP).

2.0 - OBJECTIVES

- A. To ensure the safety and preservation of principal.
- B. To maintain adequate liquidity to meet cash flow requirements.
- C. To obtain the best available return consistent with safety and liquidity.

3.0 - SCOPE

This policy covers funds held by MHP in which MHP has the right to invest and to earn investment returns for the benefit of MHP (the "Cash and Investment Portfolio f/b/o MHP"). This includes all of MHP's unrestricted funds, including loan investments, plus its required 4% collateral in the form of cash and loan participations.

Funds held for third parties that are not currently income restricted by the grantor are included in the Cash and Investment Portfolio f/b/o MHP. If there are contractual restrictions on funds held for a third party those restrictions will take precedence over this policy. Restricted custodial funds held and administered by MHP on behalf of the Commonwealth and whose investment earnings do not accrue to MHP may be held in the Municipal Depository Trust Fund (MMDT) or any other account as directed.

4.0 - APPROVED LIST OF INVESTMENTS

The following instruments are approved for MHP investments:

- Domestic Bank Deposits and Certificates of Deposit (note that these are not eligible collateral for FHLB)
- Domestic Money Market Funds
- U.S. Treasury Bills and Notes
- Obligations of U.S. government agencies, including Agency MBS
- State or municipal securities
- Collateralized Repurchase Agreements
- MHP loans and loan participations as set forth in Exhibit A "MHP Loan Purchases and Balance Sheet Lending"

5.0 - INVESTMENT REQUIREMENTS

5.1. – Repurchase Agreements.

Repurchase agreements must be fully collateralized by any of the securities approved under this investment policy. The current market value of the collateral must equal or exceed the principal amount of the investment at all times during the term of the investment.

5.2– Diversification

The approved types of investment instruments must be allocated among the following categories, but shall not exceed the percentages indicated:

U.S. Treasury Obligations

No limit

U.S. Treasury bills and notes and money market funds fully collateralized by U.S. Treasury bills and notes

U.S. Agency Debt, including Agency MBS of the Cash & Investment Portfolio f/b/o MHP

Not more than 75 percent

Debt obligations of U.S. government agencies and Government-Sponsored Enterprises that are approved as collateral for advances to member banks by the Board of Governors of the Federal Reserve System. These include, but are not limited to, Federal Home Loan Bank, Federal Home Loan Mtg. Corp. (Freddie Mac; excluding “stripped” securities), Federal Farm Credit Bank, Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae; excluding “stripped” securities), and also include mortgage-backed securities (MBS) issued by these entities.

State or Municipal Securities with an issuance size of at least \$25 million

**Limited by rating and issuer
Not more than 25 percent
of the Cash & Investment Portfolio f/b/o MHP**

Issuance size must be at least \$25 million, and the security must be rated AA- or higher (or the equivalent) by at least two of the following NRSROs: Moody’s, S&P, Fitch, or Kroll. If there is a split rating, the lowest of the ratings shall be used. Exposure to any single municipal security issuer is limited to not more than 10% of the Cash and Investment Portfolio f/b/o MHP. Bonds or other securities issued by non-profit or other 501(c)(3) organizations are specifically excluded as approved investments.

Insured/Collateralized Domestic Bank Deposits

No limit

Bank deposits insured in full by the Federal Deposit Insurance Corporation (FDIC), the Share Insurance Fund (SIF) or the Depository Institutions Fund (DIF) of Massachusetts or are fully collateralized.

Uninsured Domestic Bank Deposits

**Not more than 5%
of the Cash & Investment Portfolio f/b/o MHP**

The limitations of this section do not apply to borrower reserve accounts, funds administered on behalf of the Commonwealth or other funders, loan funds advanced prior closing, and pledged collateral required by the terms of MHP’s loan agreements with funding banks. In the course of business, it may be necessary to establish banking relationships that result in uninsured deposits when FDIC limits are exceeded or DIF insurance is not available.

This policy imposes a 5% limit on MHP discretionary bank deposits in uninsured accounts with the following exceptions:

Uninsured bank deposits in excess of \$1 million are only allowed in banks with the highest available from a reputable bank rating service (e.g., a rating of Green/** from Veribanc).

Domestic Money Market Funds**Limited by rating and issuer****Not more than 50 percent of the Cash & investment Portfolio f/b/o MHP**

Funds must be regulated by the U.S. Securities and Exchange Commission (SEC) pursuant to the Investment Company Act of 1940 and must either have the highest available rating from a reputable national rating agency (e.g., a rating of AAA from Standard and Poor's) or be guaranteed by the U.S. government. No more than 33% of MHP's total Cash and Investment Portfolio f/b/o MHP (excludes borrower reserve accounts) shall be in any single fund or combination of funds with common management. Money market funds investing exclusively in U.S. Treasury funds shall not be included in the 50% limit.

**Massachusetts Municipal
Depository Trust (MMDT)****Not more than 50 percent of the Cash & investment Portfolio f/b/o MHP**

The Massachusetts Municipal Depository Trust (MMDT), a diversified money market fund established by the Commonwealth as a safe harbor for state and local government funds, is not publicly rated and is not regulated by the SEC. State and Federal funds administered on behalf of the Commonwealth are excluded from any MMDT limits (i.e., Housing Stabilization Fund, HOP Escrow, etc.).

**MHP Loan and Working Capital Lines of Credit
(balance sheet loans) as set forth in Exhibit A****Not greater than \$30 million**

Exposure to any individual loan shall not exceed 5% of the Cash & Investment Portfolio f/b/o MHP. Exposure to a single sponsor or common management team shall not exceed 10% of the Cash & Investment Portfolio f/b/o MHP. Aggregated WCLOC investments shall not exceed \$2 million.

5.3 – Maturities

Investment maturities shall not exceed ten (10) years with the exception of investments in MHP loans and participations as set forth in Exhibits A. For Agency MBS, the investment maturity will be based on the weighted average life of the security, which shall not exceed ten (10) years at the time of investment.

The weighted average maturity of the Cash and Investment Portfolio f/b/o MHP *excluding* MHP loans and participations shall not exceed five (5) years. Maturity is defined as the legal maturity of an investment instrument regardless of any expectation about how and when that security may be sold. The weighted average maturity of the Cash and Investment Portfolio f/b/o MHP *including* MHP loans and participations shall not exceed ten (10) years.

Investments in all asset classes allowed by this policy should be diversified by maturity to achieve a ten-year ladder with, on average, 10% of the Cash & Investment Portfolio f/b/o MHP maturing annually *excluding* MHP loan investments and participations.

5.4 - Liquidity

MHP shall maintain a minimum liquidity of at least 18 months operating expense at all times, based on the current annual budget and including projected liquidity needs for any outstanding forward-starting interest rate swaps based on current termination valuations. For purposes of this section, liquidity is specifically referencing unrestricted cash and investments as well as borrowing authority through the Federal Home Loan Bank of Boston and/or bank lines of credit. Liquid investments include money market funds, cash bank deposits, and funds invested with MMDT.

6.0 - CUSTODY OF SECURITIES AND COUNTERPARTIES

All of the financial institutions in which MHP is eligible to invest, subject to the Investment Requirements listed in Section 5.0 of this document, are also authorized to hold investments in custody on behalf of MHP. MHP will not take physical possession of investment securities. MHP may pledge investments to the Federal Home Loan Bank of Boston.

7.0 - EXCEPTIONS

Any exceptions to this policy must be approved by the Chair of the Finance Committee and the Chair of the Board and be reported at the next scheduled meeting of the Board of Directors.

8.0 - PERFORMANCE MEASUREMENT AND REPORTING

Investment reports shall be prepared monthly and provided to the Executive Director upon request. Investment reports shall be provided to the board no less than quarterly. Such reports shall include the following:

- summary of restricted and unrestricted cash and investments
- allocation of cash and investments by investment type and maturity
- exposure to MHP balance sheet loans and participations, specific banks, fund managers and issuers
- cost and market value
- weighted average maturity
- weighted average return on each investment class

The Board of Directors will receive an annual report verifying compliance with the investment policy.

9.0 - ROLES AND RESPONSIBILITIES

Roles and Responsibilities of the parties involved are specified below:

Board of Directors

Approving the Investment Policy

Finance Committee

Reviewing the Investment Policy annually and recommending revisions to the Policy as necessary

Approving retention of any outside money managers or investment advisors

Reporting results of annual investment review to Board of Directors

Reviewing portfolio investments and performance

Approving larger loan investment purchases beyond the authority of the Executive Director pursuant to Exhibit A

Executive Director

Reviewing monthly investment reports

Approving MHP investments

Approving smaller loan investment purchases that are within the Executive Director's authority

Chief Financial and Administrative Officer

Developing and executing investment strategy in conjunction with the Business Strategy Working Group and Finance Committee

Chief Accountant and Treasury Manager is responsible for implementing policy, overseeing cash and investments, and reporting on performance and compliance.

10.0 – APPROVAL OF INVESTMENTS AND INTERNAL CONTROLS

All proposed investments shall be reviewed by an internal Investment Committee and recommended to the Executive Director for approval.

The following internal controls shall be enforced:

- All physical deliveries or book entries of principal and/or interest shall be performed by a third-party custodian.
- A monthly reconciliation of investment statements to the general ledger accounts shall be performed and the results reported to the Chief Financial and Administrative Officer.

- All investment portfolios must be covered by MHP's liability and crime coverage insurance policies.
- Satisfactory internal legal review shall be performed on all investment agreements and prospectuses and all agreements to collateralize bank deposits in excess of FDIC insurance limits.

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EXHIBIT A

MHP Loan Purchases and Balance Sheet Lending

Voted: March 25, 2010 (board)

amended December 13, 2011 (board)

amended December 11, 2012 (board)

edited for clarification May 23, 2013 (finance committee), amendment proposed 12/13/16 Revised to add WCLOC: April 21, 2017 (board)

amended June 21, 2022 (board)

This policy addresses MHP's ability to fund loans and loan participations using MHP's Cash and Investment Portfolio f/b/o MHP. Any such loans funded directly by MHP must be qualified to be funded under an approved End Loan Program under MHP's agreements with its funding banks and have all necessary MHP approvals. Funding loans or prepaying bank advances can be economically beneficial by reducing MHP's interest expense and increasing its spread income on the underlying loans. Since MHP already provides modest top-loss protection on bank-funded advances and is heavily incentivized to pay the loans in full to stay out of default with its funding banks, this does not necessarily represent a significant increase in risk exposure for MHP. All loans underwritten and approved per MHP's Permanent Rental Financing Program (PRFP), with maturity dates of 20 years or less, are eligible for funding from MHP's balance sheet, if weighted average maturity of MHP's Cash and Investment Portfolio f/b/o MHP is ten (10) years or less.

No additional due diligence will be required for loans that are currently in MHP's portfolio. All portfolio loans must be paying as agreed and meeting all covenants.

In the case of loan participations, MHP shall be the lead lender and servicer and shall hold the collateral documents and control all escrow and reserve accounts.

Investing in loans generates a higher return than MHP's cash investments and, in the case of funding bank loans, returns pledged collateral equal to 4% of the loan balances to MHP but reduces liquidity. This liquidity risk can be mitigated since MHP can request future advances from its funding banks (essentially participating the loans out to its funding banks once again) as long as the loans still meet the minimum underwriting requirements, or MHP could pledge these loans as collateral for a line of credit outside of our Chapter 102 loan agreements. MHP will not prepay loans that incur prepayment premiums unless it can demonstrate that the net economic benefit to MHP justifies such a payment.

MHP's maximum loan investment exposure is set forth in Section 5.2 of the Investment Policy. The Finance Committee shall approve any loans for investment pursuant to this Exhibit, unless the Executive Director has the authority to approve the loan under Appendix D of the Loan Policy, in which case the Executive Director may approve such loans for investment.

S&P Rating

MHP - FY22 and FY21 Audits

Massachusetts Housing Partnership Fund Board; General Obligation

Primary Credit Analyst:

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Credit Profile

Massachusetts Hsg Partnership Fd Bd ICR

Long Term Rating

A+/Stable

Affirmed

Credit Highlights

- S&P Global Ratings affirmed its 'A+' issuer credit rating (ICR) on Massachusetts Housing Partnership Fund Board (MHP).
- The outlook is stable.
- MHP does not have any bond debt outstanding; therefore, this rating action accordingly affects no measurable bond debt.

Security

An ICR reflects an obligor's general creditworthiness and capacity and willingness to meet financial commitments when they come due. It does not apply to any specific financial obligation; it does not consider the obligation's nature and provisions, bankruptcy standing, liquidation, statutory preferences, or legality and enforceability.

Credit overview

The ICR reflects our opinion of MHP's:

- Very strong asset quality with the majority of assets in bank-funded loans, which are nonrecourse to MHP, no nonperforming assets in MHP's history, minimal loss exposure due to the presence of risk-share loans, and sufficient pledged collateral and unrestricted equity to cover losses;
- Financial strength somewhat lower than our criteria benchmarks, as demonstrated by a net equity-to-total assets ratio of 8.7% in fiscal 2021, and 7.3% on a five-year average;
- Adequate-to-strong profitability compared with benchmarks, where a return-on-average assets (ROAA) is 0.6% on average over the past five years but alongside a much higher five-year average net interest margin of 1.6%, owing to off-balance-sheet income-generating loans; and
- Experienced and prudent management team and board members, evidenced by consistently positive net income and successful management of MHP's programs even during difficult times.

Environmental, social, and governance

We have analyzed MHP's environmental, social, and governance (ESG) risks relative to its financial strength, management and legislative mandate, and the local economy; we view these risks as neutral to the credit analysis.

Outlook

The stable outlook reflects S&P Global Ratings' opinion of MHP's steady profitability, especially with respect to the net interest margin, strong asset quality as reflected with zero delinquencies, lending strategy and arrangements that result in minimal exposure to loan loss, and sufficient liquidity reserves to cover potential losses it might experience.

Downside scenario

While we believe it is unlikely during our two-year outlook, we could lower the rating or revise the outlook to negative if our analysis were to demonstrate significant erosion in equity available to meet actual potential exposure.

Upside scenario

We could raise the rating or revise the outlook to positive if MHP were to sustain a significant improvement in the net-equity-to-total-assets ratio.

Credit Opinion

Financial Strength

Capital adequacy

We view MHP's capital adequacy as below average for the 'A+' rating level compared with benchmarks outlined in our rating criteria. MHP's five-year average total-equity-to-total-assets ratio is 9.2% and net-equity-to-total-assets ratio is 7.3%, below the 10% benchmark for the 'A' category. However, despite the average ratio for similar-rated housing-finance agencies being generally higher, we think MHP's reserves available to meet potential exposure due to bank-loan and risk-share agreements is sufficient for the rating level. In addition, MHP's net-equity-to-total-assets ratio, a primary capital-adequacy metric, improved to 8.7% in fiscal 2021 from 5.8% in fiscal 2017.

MHP's debt outstanding--in the form of notes payable in conjunction with bank loans--was approximately \$519.6 million in fiscal 2021, down by 1% from fiscal 2020. We recognize MHP has minimal exposure to these on-balance-sheet loans being exposed only to a top-loss position, totaling 4%, of bank-funded loans. MHP entered into 12 swaps for its Federal Housing Administration (FHA) risk-sharing loan programs during fiscal years 2019 and 2020. Management indicates all swaps were settled as of September 2021.

Profitability

MHP continues to post positive net income, including fiscal years 2017-2021, ended June 30. However, MHP's net income, excluding changes in fair-value reporting, decreased by approximately 34.5% to \$2.8 million in fiscal 2021, down from \$4.3 million in fiscal 2020. The net-income decrease was largely due to a decrease in income from investments and an increase in lease expenses. MHP has yielded an average net-operating income of \$4 million during the past five years with a resulting ROAA of 0.58% from 2017-2021. While these figures are lower than rated benchmarks, MHP's five-year net interest margin of 1.6% exceeds benchmark averages. We attribute this difference to the presence of off-balance-sheet risk-share loans that continue to generate income for MHP.

Asset quality

We view MHP's asset quality as very strong. MHP's assets include cash and high-quality investments and multifamily loans, known as Chapter 102 loans, that are funded through bank-loan agreements. Each of the bank-loan agreements contain basic terms with regard to collateral requirements, default provisions, and remedies. Under the agreements' terms, MHP takes a 4% cash-collateralized first-loss position with the banks covering the rest. None of the loan agreements have cross-collateralization or cross-default provisions. MHP enters only into permanent-financing arrangements; its assets specifically exclude construction loans, further reducing risk.

MHP's gross loans receivable reached \$553 million in fiscal 2021, down slightly from \$555 million in fiscal 2020. We have observed a similar year-over-year slight downward trend as MHP grew its off-balance-sheet exposure in risk-shared loans with the Federal Housing Administration (FHA) and Fannie Mae. As of June 30, 2021, MHP has \$119.7 million in loans split between FHA and Fannie Mae--the figure represents the share for which MHP is directly responsible.

MHP's historical loan performance has been extremely strong. As of June 30, 2021, there were no restructured loans and no delinquencies. Payment timeliness on loans has resulted in a nonperforming-assets ratio of 0%. Furthermore, MHP's loan exposure is minimal. We credit MHP's stringent due diligence in its underwriting and proactive loan portfolio management for the loans' excellent performance. MHP uses a thorough risk-rating system to evaluate loans and establish loss reserves. We note each loan is subject to this dynamic system, where MHP is constantly reviewing each loan's risk-rating category to determine whether the loss reserves is appropriate, adjusting when necessary. The director of finance monitors these loan rating movements monthly and holds quarterly reviews with senior management.

Liquidity

Cash and investments totaled \$108 million as of June 30, 2021. Overall, we view MHP's investment portfolio as very conservative: MHP holds 67% of these funds in Massachusetts Municipal Depository Trust, 24% in certificates of deposit, and the remainder in money-market funds. In addition, about 2% of the total is in maturities exceeding one year.

MHP's loans represented 82% of total assets as of fiscal year-end 2021, in-line with historical trends and above-average compared with criteria benchmarks.

Management and legislative mandate

We view MHP's management as strong due to experienced, proactive, and dedicated senior leadership, which supports the board. An independent, seven-member board of directors appointed by the governor, with three members nominated by Massachusetts Bankers Assn., governs MHP. Board members are from the banking, business, and academic sectors with two members from the commonwealth government. We view MHP's relationship with the commonwealth government as strong. Management's stability and strong record have contributed to this strong relationship. Management administered the commonwealth's \$125 million American Rescue Plan Act's Homeowner Assistance Fund in fiscal 2022; the program helps homeowners who were behind on mortgages and/or facing foreclosures due to COVID-19.

Until 2017, when MHP's multifamily strategy expanded to include Fannie Mae and FHA risk-share loans, MHP

primarily used bank-funded loans, known as Chapter 102 loans, to finance multifamily development. MHP enters loan agreements with each of the banks it borrows through on a nonrecourse basis, which results in minimal loan exposure in case they default.

As indicated, MHP is also an approved Fannie Mae multifamily affordable lender under a delegated underwriting and servicing loss-sharing agreement with Fannie Mae. This allows it to fund loans in full through the sale of Fannie Mae-guaranteed mortgage-backed securities.

MHP is also an FHA multifamily accelerated processing lender and an approved FHA housing finance agency risk-sharing program lender for multifamily loans. The risk-sharing program allows MHP to underwrite and service FHA-insured multifamily loans in return for sharing the risk of losses on those loans. MHP's underwriting guidelines and private and public experience demonstrate its servicing and management capabilities.

Due to strong demand for affordable housing and an average home price well out of reach of MHP's first-time homebuyer customers, we think a strong real estate market furthers the need for MHP's services and the quality of the loans to finance multifamily affordable housing.

Table 1

Massachusetts Housing Partnership Fund Board Financial Ratio Analysis						
%	2021	2020	2019	2018	2017	Five-year average
Capital Adequacy						
Equity/total assets	10.5	9.9	8.9	8.6	7.8	9.2
Net equity/total assets	8.7	8.3	7.0	6.6	6.0	7.3
Net equity/total loans	10.6	10.2	8.6	7.7	6.9	8.8
Net equity/total loans + mortgage-backed securities (loans)	10.6	10.2	8.6	7.7	6.9	8.8
Equity/total debt	13.6	12.9	11.3	10.6	9.3	11.5
Net equity/total debt	11.2	10.8	8.9	8.1	7.0	9.2
Available liquid assets/ total loans	4.3	16.6	20.0	15.3	15.4	14.3
Profitability						
Return on average assets	0.4	0.6	0.6	0.7	0.5	0.6
Net interest margin (loans)	1.7	1.7	1.6	1.6	1.4	1.6
Asset Quality						
Nonperforming assets/total loans + real-estate owned	0	0	0	0	0	0
Loan loss reserves/total loans	2.4	2.3	2.2	2.0	1.9	2.2
Net charge-offs/average loans	0	0	0	0	0	0
Liquidity						
Total loans/total assets	80.4	79.3	80.4	84.4	84.3	81.7
Short-term investments/total assets	15.7	15.5	15.3	12.5	12.7	14.3

Table 2

Massachusetts Housing Partnership Fund Board Five-Year Trend Analysis					
(\$000s)	2021	2020	2019	2018	2017
Total assets	671,141,841	683,940,103	715,030,953	688,939,256	692,566,256
% change	(1.9)	(4.3)	3.8	(0.5)	11.0
Total debt	519,633,308	524,799,943	563,248,232	561,131,086	584,698,727
% change	(1.0)	(6.8)	0.4	(4.0)	11.0
Total equity	70,751,181	67,937,237	63,643,271	59,208,408	54,131,002
% change	4.1	6.7	7.5	9.4	6.3
Net equity	58,427,868	56,475,826	50,291,457	45,724,785	41,212,575
% change	3.5	12.3	10.0	10.9	5.7
Revenue	44,570,614	46,718,610	46,617,796	43,249,849	36,954,293
% change	(4.6)	0.2	7.8	17.0	6.4
Expenses	41,756,670	42,424,644	42,182,933	38,172,443	33,763,493
% change	(1.6)	0.6	10.5	13.1	4.8
Net income	2,813,944	4,293,966	4,434,863	5,077,406	3,190,800
% change	(12.8)	3.0	11.4	21.2	7.5
Total loans	539,383,142	542,163,831	574,776,131	581,356,552	583,596,375
% change	(0.5)	(5.7)	(1.1)	(0.4)	7.1
Nonperforming assets	0	0	0	0	0

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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