THE MARYLAND HOUSING FUND
ANNUAL REPORT: FISCAL YEAR 2022

A Report to the Maryland General Assembly

November 2022

Maryland Department of Housing and Community Development

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EXECUTIVE SUMMARY

The Maryland Department of Housing and Community Development (Department), pursuant to its statutory requirements, is pleased to present the Maryland Housing Fund Fiscal Year 2022 Annual Report to the Maryland General Assembly. Additional information about the operations of the Maryland Housing Fund (MHF) for fiscal years 2022 and 2021 is also included.

MHF is a program within the Division of Credit Assurance, an operating division of the Department. It is the oldest, and one of the largest, state-sponsored mortgage insurance funds in the United States. However, it is the only one of its peer programs to be operated within a line cabinet agency of state government. MHF provides mortgage insurance primarily for the Community Development Administration's (Administration) tax exempt revenue bond mortgages. The Administration is a division within the Department that issues revenue bonds to raise capital used to make below-market interest rate mortgages. The Administration's revenue bonds are typically rated by two credit rating agencies. The rating agencies continue to affirm the Administration's "Double A" bond rating; and the Administration continues to be an active issuer of mortgage revenue bonds.

Strong single-family asset management, including proactive education and early loss mitigation intervention, continues to result in minimal foreclosures and limited losses to MHF. Proactive multifamily asset management, including physical inspections and adequate reserves for capital repairs/improvements, continued to yield high occupancy in MHF-insured affordable rental housing properties. Fiscal year 2022 is the nineteenth straight year MHF reported no multifamily insured loans in financial or physical default.

The audited financial statements for fiscal year 2022 and 2021 are attached as appendices to this report. MHF reports its financial condition on a consolidated basis, combining operational results for Multifamily, Single Family, Revitalization, Business and General Reserve mortgage insurance programs. Insurance claims are payable only from each program's respective reserves, MHF operating funds, and Unallocated Reserves. Other funds, assets, or reserves of MHF that may be described in the financial statements, as well as the general financial resources of the Administration, the Department or the State of Maryland, are not available to pay claims resulting from the insurance obligations of MHF. As of June 30, 2022, MHF had primary insurance on mortgages totaling approximately $14.6 million and $461.5 million, respectively, under its Single Family and Multi-Family insurance programs. We continue to develop insurance products to support the Department's small business loan initiatives.

MHF's insurance obligations extend only to the mortgages it insures and not to the underlying bond obligations of the Administration or other issuers. The Department is required to file official statements and other reports with the Electronic Municipal Market Access (EMMA), formerly the Nationally Recognized Municipal Securities Information Repository (NRMSIR) pursuant to undertakings to comply with Rule 15c2-12 of the Securities and Exchanges Commission. Potential purchasers or sellers of the Administration's bonds should refer to such information with this report (including more recent information about MHF).

For additional information on the operations of MHF, please contact:

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1.0 THE MHF INSURANCE PROGRAM

The following describes the mortgage insurance programs administered by the Maryland Housing Fund ("MHF") pursuant to Section 3-201 through 3-208 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "MHF Statute"), and is qualified in its entirety by reference to the MHF Statute and the regulations thereunder (the "MHF Regulations").

MHF was created in 1971 as a special insurance fund of the State of Maryland and is a governmental unit in the Division of Credit Assurance of the Department. MHF is authorized to insure mortgage loans, including mortgage loans for multifamily developments financed by public agencies such as the Administration ("Multifamily loans"), to provide primary insurance for single family mortgage loans ("Single Family loans"), and to provide credit enhancement for loans to businesses ("Business loans"). MHF insures against certain monetary losses incurred as a result of nonpayment of principal, interest or other sums agreed to be paid and certain other events of default under the terms of any insured loan, but does not insure against property losses, including without limitation, title risk, risks of defective construction or casualty, or any other reduction in project value due to insurable risk or force majeure, casualty or title loss.

In early 1997, the Department suspended all insurance activity of MHF (except for pool insurance for certain Single-Family loans), partly as a result of concerns expressed by Moody's Investors Service ("Moody's") during the 1996 and 1997 rating review. The Department responded to Moody's concerns and has consulted with Moody's regarding the implementation of certain of MHF's insurance programs. MHF continues to service active insured loans originated prior to 1997 and is operating the insurance programs described below.

1.1 Multifamily Loan Programs

MHF insures mortgage loans under a group home loan program known as "SHOP" (Special Housing Opportunities Program) that finance or refinance the acquisition, construction or rehabilitation of shared living and related facilities for the special needs population, which are owned by and sponsored by nonprofit organizations. This is an active program with loans funded through the Administration and insured by MHF.

The Administration is a participant in the Federal Housing Administration's ("FHA") Risk-Sharing Program (the "FHA Risk-Sharing Program") for multifamily loans. As a Level I participant under the FHA Risk-Sharing Program, upon payment of a claim by FHA, the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. As a Level II participant, the Administration would be responsible for reimbursement to FHA of up to 25% of such claim. The Administration expects that MHF would reimburse the Administration for its share of such losses, pursuant to a commitment letter issued by MHF to the Administration in connection with each loan. Between 1997 and 2004, the Administration participated in the FHA Risk-Sharing Program only in connection with the refinancing of loans then insured by MHF where the Administration was able to decrease the dollar amount of MHF's insurance exposure with respect to such loans. In 2004, the Department expanded its MHF insurance program for new loans funded through the Administration with credit enhancement under the FHA Risk-Sharing Program.

MHF has also provided mortgage insurance for short term loans made by the Administration pursuant to the Tax Credit Bridge Loan Insurance program. For a project which qualifies for federal low income housing tax credits, MHF provides limited insurance for bridge loans made by the Administration until equity capital contributions are made by the tax credit investor. The Tax Credit Bridge Loan Insurance program is governed by Sections 3-203 and 3-206 of the MHF Statute and COMAR 05.06.02 of the MHF Regulations. There are no loans currently insured under this program.

Effective December 9, 2014, MHF and the Administration created a Demonstration program (the "MHF Demonstration Program") whereby MHF insures short term loans ("Short Term Loans") financed with proceeds from the sale of short-term bonds (the "Short Term Bonds") issued under the Administration's multifamily Housing Revenue Bond Resolution ("HRB"). The MHF Demonstration Program is an additional cost-effective option extended to borrowers for the provision of credit enhancement for Short Term Loans financed under HRB. Eligibility for the MHF Demonstration Program is limited to projects where the project would need to use more than 25% of its projected tax credit equity to cash collateralize a letter of credit ("LOC") that otherwise would be delivered to secure Short Term Bonds during construction, and the amount of the Short Term Loan (which equals the amount of the cash collateral account that would be required by a LOC provider) is greater than 25% of the projected tax credit equity. No borrower, including all related entities, may have Short Term Loans insured under the MHF Demonstration Program at any one time in excess of $5 million. In addition, 25% of the projected amount of tax credit equity to be generated by a project must be contributed to the project at the closing of the Short-Term Loan. MHF's obligations under the MHF Demonstration Program are backed only by MHF's Unallocated Reserve. The aggregate amount of outstanding indebtedness to be insured under the MHF Demonstration Program may not exceed $10 million from the MHF Unallocated Reserve at any given time. There are no loans currently insured under this program.

1.2 Single Family Loan Programs

In June 2005, the Department opened a program of MHF to insure 30-year and 40-year amortizing Single Family loans being purchased by the Administration. Because market conditions caused unexpectedly high demand for this insurance, the Department suspended the program as of November 10, 2008.

In June 2006, the Department authorized the expenditure of up to $1 million of the Revitalization Program Insurance Reserve to provide credit enhancement to a loan program that is sponsored by a nonprofit corporation, which is intended to stabilize and strengthen property values in targeted areas of the City of Baltimore. In this agreement, MHF agreed to provide credit enhancement on loans enrolled in the program for a period of up to 10 years from the date the loan is enrolled in the pool. MHF's ability to enroll new loans under that agreement terminated March 31, 2012, and the ten-year coverage of the last loans enrolled in this pool ended in March 28, 2022. As of June 30, 2022 MHF, does not have any contingent liability in this pool.

The Department negotiated an agreement dated January 12, 2012, authorizing the expenditure of up to an additional $800,000 of the Revitalization Program Insurance Reserve to provide credit enhancement for a second loan pool. Just like in the first loan pool the credit enhancement will last for a period of up to ten years after the date the loan is enrolled in the pool; the enrollment period for the second pool ended in January 2020. There are 120 loans in this second pool totaling $14,827,401 in outstanding balances with a remaining contingent liability of $370,685. A new agreement effective January 2, 2020 was negotiated authorizing the expenditure of up to an additional $600,000 of the Revitalization Program Insurance Reserve to provide credit enhancement for a third loan pool. Like the previous pools, the credit enhancement will last for a period of up to ten years from the date the loan is enrolled in the pool. All loans to be credit enhanced in this third pool must be enrolled by January 2, 2025. There are currently 42 loans enrolled in this third pool totaling $5,459,137 in outstanding balances with a current contingent liability of $136,478.

In 2008, MHF committed $10 million of the Unallocated Reserve to provide credit enhancement for certain single family refinancing loans made by private lenders under the Department's Home Owners' Preserving Equity ("HOPE") initiative. The General Reserve Insurance ("General Reserve") was officially established by regulation in November 2008 to insure a broad range of programs, including the HOPE initiative. MHF transferred $10 million of the Unallocated Reserve to the General Reserve on November 3, 2008 to insure loans under the HOPE initiative and other Department programs.

1.3 Business Loan Programs

Legislation was passed effective July 1, 2016, allowing MHF to provide insurance coverage and credit enhancement to loans originated by the Administration or other eligible lenders on business projects that will acquire, operate, construct or rehabilitate businesses located in publicly designated renewal or redevelopment areas. This program is governed by Sections 3-203 and 3-206 of the MHF Statute. MHF transferred $1.5 million of the Unallocated Reserve to the General Reserve to insure loans under the Business Loan Program during 2017. These funds, plus an additional $3.5 million transferred from the Unallocated Reserve during 2018 and $5 million transferred during 2021, were transferred into the newly created Business Reserve Insurance ("Business Reserve"). There are no loans currently insured under this program.

1.4 Additional Information

For fiscal year 2003, the Maryland Department of Legislative Services asked MHF and the Administration whether there were funds available for transfer to the State. After being advised by Moody's that a transfer, in and of itself, would not have an adverse effect on the rating of the Administration's outstanding parity debt, including the Bonds, MHF transferred $10 million from the Unallocated Reserve to the State. No transfer occurred in 2004, 2005, 2006, or 2007. Legislation was enacted during the 2008 session (SB 983) requiring another $10 million to be transferred. Beginning in fiscal year 2010, and as codified at section 3-203(i) of the MHF Statute, any amount in the Unallocated Reserve at the end of any fiscal year that exceeds an amount necessary to provide backing for insurance issued by MHF by more than $10 million, shall be transferred to the Department's revolving housing loan funds. During the fiscal years ending June 30, 2012, 2013, 2014, 2015, 2016 and 2017, MHF transferred $2.1 million, $1.1 million, $0.77 million, $0.88 million, $0.87 million, and $0.94 million, respectively. As the amount in the Unallocated Reserve at June 30, 2017, 2018 and June 30, 2019 was less than $10 million, no transfer was required in fiscal years 2018, 2019 or 2020. In fiscal year 2021 MHF transferred $0.15 million. For more information, see "Management's Presentation of the MHF Program" below.

2.0 MANAGEMENT'S PRESENTATION OF THE MHF PROGRAM

The following information is management's presentation of the MHF Program.

2.1 Financial Statements and Information

The financial statements of MHF for the fiscal years ending June 30, 2022 and June 30, 2021 have been audited by CliftonLarsonAllen LLP. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles and the audits conducted in accordance with auditing standards generally accepted in the United States. The financial statements of MHF are reported on a consolidated basis combining results of operations for all of the MHF Programs.

2.2 Income and Reserves

MHF’s income from insurance premiums is used to pay expenses.

MHF currently maintains six insurance reserves, which are separate from MHF’s operating funds. Five of the reserves cover specific categories of insurance: the Multifamily Insurance Reserve, the Single Family Regular Insurance Reserve, the Revitalization Program Insurance Reserve, the Business Reserve and the General Reserve. The investment earnings on each of the five specific reserves are credited to a sixth reserve, the Unallocated Reserve, which may be used to pay claims on all categories of insurance, or may be transferred into any other reserve, or may be restricted for claims under a particular category. The Unallocated Reserve is available for any category of claims or for any other purpose consistent with contractual obligations with the Administration’s bondholders. Prior to 2011, MHF had maintained a reserve for the Home and Energy Loan Program. The reserve balance of $500,000 was transferred into the Unallocated Reserve when the last loan insured under the program paid off in fiscal year 2009.

The MHF Statute provides that any moneys of MHF that the Department creates as an identifiable insurance reserve may be used only in conformance with the terms and conditions creating that reserve. MHF Regulations provide that each reserve is maintained to pay claims arising from its respective category of insurance and may not be subject to claims arising from other categories of insurance except for the Unallocated Reserve. All reserves are held by the Office of the Treasurer of the State, which credits MHF with interest income based on the total reserve balance for the benefit of MHF.

MHF does not insure the Bonds, and the assets of MHF are not available to the Administration or the Trustee to satisfy obligations to holders of the Bonds. The obligation of MHF is limited to the payment of mortgage insurance claims as described herein. An insurance claim against MHF is payable from and limited to the applicable MHF reserve and does not constitute a general obligation of MHF, the Department, or the State.

2.3 Statements of Net Assets Discussion

In fiscal year ending June 30, 2021, the overall equity increased from $77,303,218 to $77,915,860. This net increase is primarily due to fee income related to new multifamily loan closings, combined with overall lesser provisions to the allowances for insurance losses. In fiscal year ending in June 30, 2022 the overall equity further increased to $78,610,400 from last fiscal year’s $77,915,860. The net increase is primarily due to premiums and fees from new multifamily loan closings during the year and slightly higher interest income on fund reserves, offset by the slightly higher allowance for insurance losses on account of the increasing loan balances as the multifamily loans are progressively drawn. MHF’s interest earnings on fund reserves has started to improve in the latter part of fiscal year 2022 since it last dropped in year 2020 due to economic conditions related to the COVID-19 pandemic in the last two previous years.

The Unrestricted Accumulated Deficit is a part of the overall equity. The Unrestricted Accumulated Deficit, which decreases when claims are paid from the insurance reserves, represents the cumulative net income (loss) of MHF since its inception less any investment income earned on the insurance reserves. When MHF’s insurance reserves are greater than its net position, there will be an accumulated deficit in the net position section of the MHF Statement of Net Assets.

In fiscal year 2021, the Unrestricted Accumulated Deficit decreased from $7,345,721 to $6,656,826. This was primarily attributable to a reduction in the provision for loan and insurance losses based upon the risk profile of the portfolios during that period combined with fewer claims paid due to federal and local foreclosure moratoriums. In fiscal year 2022, the Unrestricted Accumulated Deficit decreased from$6,656,826 to $6,324,777. This was primarily attributable to earnings outpacing expenses, combined with a continued low level of claims paid and a reduction in the size of the single family loans insured.

2.4 Discussion of Changes in Net Position

During the fiscal year ending June 30, 2021, MHF reported a Change in Net Position of $612,642. This increase in net position is primarily due to earnings outpacing expenses as described above offset by the statutory requirement to transfer funds from the restricted net position to the revolving housing loan funds. This requirement is described in more detail in "Additional Information" appearing on page G-3. The income continued to outpace the expenses during the fiscal year 2022 resulting to MHF reporting a Change in Net Position of $694,540 as of June 30, 2022.

As described below in "Single Family Information – Certain Additional Expected Single Family Claims" and "Multifamily Information – Certain Additional Expected Multifamily Claims," the Administration has notified MHF of defaults under insured mortgages that are expected to result in additional claims to MHF. Payment of these claims is not reflected in MHF's Statement of Net Assets; however, MHF included provisions for these claims in its allowance for unpaid insurance losses.

3.0 DISCUSSION OF OPERATING CASH ACCOUNT

3.1 Selected Activity in MHF's Operating Cash Account

The following table is management's presentation of selected activity in MHF's operating cash account as of June 30, 2022:

	Single Family	Multifamily	Business	Total
Premiums and Fees Collected[1]	$79,056	$1,855,495	$0	$1,934,551
Operating Expenses Paid[2]	(947,379)	(406,019)	0	(1,353,398)
Premiums Net of Operating Expenses	(868,323)	1,449,476	0	581,153
Claims[3]	(23,863)	0	0	(23,864)
Recoveries[4]	914	35,168	0	36,082
Net Claim Activity	(22,949)	35,168	0	12,219
Other[5]	218,061	(67,370)	0	150,691
Net Cash from Selected Activity	**(673,211)**	**1,417,274**	**0**	**744,063**

Notes:

[1] Premiums and credit enhancement related fees as collected.

[2] Operating expenses include salaries and benefits, general administrative and intradepartmental expenses.

[3] Amount includes principal, interest, and supplemental expenses incurred on claims and carrying costs on acquired properties.

[4] Includes proceeds collected on the sale of loans or acquired properties.

[5] Amount includes changes in other assets and liabilities such as mortgage receivables, notes payables, and escrows.

During the fiscal year ending June 30, 2021, the net activity in MHF's operating cash was ($625,637) for Single Family and $1,036,347 for Multi-Family. The change in Single Family cash is primary due to operating expenses exceeding net revenues. The change in Multi-Family cash is primarily due to premiums outpacing expenses.

During the fiscal year ending June 30, 2022, the net activity in MHF's operating cash was ($673,211) for Single Family and $1,417,274 for Multi-Family. The change in operating cash in Single Family was primarily due to allocated operating expenses exceeding net revenues. The change in operating cash in Multi-Family was primarily due to the earnings from new insurance applications and collection of receivables related to foreclosed properties, combined with net revenues exceeding the allocated operating expenses.

3.2 Liquidity

MHF's primary uses of funds are to pay its operating expenses (direct and indirect) and to satisfy Business, Multifamily and Single Family claims under its insurance policies resulting from a loan default (payment or physical) by an insured borrower. In general, MHF's insurance policies require MHF to pay claims to the lender, which includes the total principal outstanding, interest in arrears (through foreclosure), and other expenses associated with a failed real estate loan (e.g., foreclosure costs, negative escrows, etc.). MHF occasionally acquires a loan or property with the payment of the claim. The proceeds of the sale of this asset are deducted from the original claim to derive the net loss (or net gain) associated with the defaulted loan claim.

In addition to any proceeds from the sale of assets acquired through the payment of claims, MHF's primary revenue sources result from mortgage insurance premiums paid by borrowers and the investment earnings on insurance reserves. These assets, together with the corpus of the reserves held by MHF, are available to pay insurance claims and related expenses. The available reserves are leveraged against insurance commitments outstanding. Calculations for the leverage ratios are shown in "Discussion of Leverage Ratios" below.

To manage MHF's resources effectively from both a business and liquidity sense, the management of MHF has developed several claim paying strategies. For Multifamily defaulted loans, MHF may pay a debt service claim after a borrower has missed a total of six monthly payments. These claim payments represent any unpaid principal and interest due from the regular scheduled payment. While making these monthly payments, MHF, working with the Administration, attempts to work out the loan in order to minimize its loss. When the final workout of the loan is completed, MHF either pays a partial claim or pays the full claim. A workout may be accomplished through (a) refinancing of the loan after re-underwriting the debt to enable the project to meet debt service from net operating income or (b) payment of claims and resale of the asset to minimize the total size of the claim.

For Single Family defaulted loans, MHF generally requires the lender to foreclose on the loan and secure the property before it pays the claim. This affords MHF the ability to begin marketing the property for re-sale at the same time it has paid out the cash. MHF attempts to resell Single Family properties in a manner that provides for recoveries as soon as possible while minimizing holding costs. While MHF strives to sell its Real Estate Owned (REO) to homebuyers, its desire to conduct quick turnaround sales does necessitate the selling of a significant portion of the REO to investors and non-profit organizations. Selling to investors generally increases the overall net loss on the claim to MHF.

3.3 Discussion of Leverage Ratios

MHF operates its Single Family insurance in accordance with an insurance agreement with the Administration dated as of August 1, 2010 (the "2010 Single Family Insurance Agreement"). Claims under the 2010 Single Family Insurance Agreement may be paid from the Single Family Regular Insurance Reserve.

The 2010 Single Family Insurance Agreement amended and restated an insurance agreement dated as of May 14, 1980 (the "1980 Single Family Insurance Agreement") and an insurance agreement dated as of June 20, 2005. Under the 1980 Single Family Insurance Agreement, pool insurance was provided for single family mortgages financed under a bond resolution for which no bonds remain outstanding. As of August 1, 2010, under the 2010 Single Family Insurance Agreement MHF was released from the obligation to provide pool insurance under the 1980 Single Family Insurance Agreement.

Under the 2010 Single Family Insurance Agreement, MHF has contracted with the Administration that, except as necessary to pay claims or advances on claims, MHF will not permit the ratio of the aggregate dollar amount of the Single Family insurance to assets in the Single Family Regular Insurance Reserve (as may be reduced as described below) to exceed 25 to 1, and that no new insurance payable from the Single Family Regular Insurance Reserve shall be issued or committed to, if upon such issuance or commitment and subsequent issuance, that ratio would be exceeded.

Due to MHF having never insured loans that were securitized by Fannie Mae, on April 4, 2014 MHF notified Fannie Mae of its intent to cease seeking certification as a Fannie Mae qualified insurer and requested that Fannie Mae remove MHF from its list of eligible mortgage insurance providers. The Administration and MHF have entered into the First Amendment to the 2010 Single Family Insurance Agreement between MHF and the Administration, dated as of April 30, 2014, which eliminates the obligation of MHF to take all actions necessary for the qualification of Single Family Regular Program insurance as mortgage insurance from a qualified insurer within the meaning of Section 3.02(6)(2) of the Fannie Mae Charter Act.

3.4 Selected Information about the Single Family Regular Insurance Reserve Ratios

	06/30/20	06/30/21	06/30/22
Single Family Regular Insurance Reserve[(1)(2)]	$14,019,066	$13,834,499	$13,821,569
Amount Available for Calculation of Ratio of Insurance to Available Reserve[(3)]	14,019,066	13,834,499	13,821,569
Primary Insurance coverage in force[(4)]			
Insurance Agreement prior to 2005	2,620,674	1,881,846	1,300,697
Insurance Agreement post 2005	8,618,703	6,619,009	3,281,353
Pool Insurance coverage in force[(5)]	-	-	-
Ratio of Mortgage Loans to the Regular Reserve	0.80 to 1	0.61 to 1	0.33 to 1

Notes:

[(1)] The Single Family Program does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of June 30, 2022, MHF had committed no additional primary insurance coverage.

[(2)] Fund balances for MHF reserves are calculated in the same manner as in the financial statements of MHF and include investment income earned and allocated by the Secretary to the Single Family Regular Insurance Reserve.

[3] In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Insurance Reserve or the Multifamily Insurance Reserve may be reduced in a manner determined by MHF to be appropriate. As of June 30, 2022, there was no reduction in the Single Family Regular Insurance Reserve to cover the accumulated deficit.

[4] The primary insurance coverage is 25% of the allowable claim for loans insured prior to 2005 under the Single Family Insurance Agreement ($5,202,787 at June 30, 2022). The primary insurance coverage is 35% of the allowable claim for loans insured under the 2005 Single Family Insurance Agreement ($9,375,293 at June 30, 2022).

[5] In 2010, MHF provided pool coverage for certain loans done by the Administration prior to 1997. Effective August 1, 2010 the Administration released MHF from any obligation to provide pool insurance for MHF Pool-Insured Loans.

MHF operates its multifamily insurance in accordance with an amended and restated insurance agreement dated February 12, 2006, with the Administration (the "Insurance Agreement").

Under the Insurance Agreement, MHF has contracted with the Administration that, except as necessary to pay claims or advances on claims, MHF will not permit the ratio of Multifamily insurance to assets in the Multifamily Insurance Reserve (as may be reduced as described below) to exceed 10 to 1, and that no new insurance payable from the Multifamily Insurance Reserve shall be issued or committed to if upon such issuance or commitment and subsequent issuance the ratio would exceed 10 to 1. (Under the terms of the Insurance Agreement, loans insured by MHF that are reinsured without contingent liability on the part of MHF are not taken into account in determining MHF's compliance with the maximum 10 to 1 ratio of amounts insured to assets in the Multifamily Insurance Reserve).

3.5 Selected Information about the Multifamily Insurance Reserve Ratios

	06/30/20	06/30/21	06/30/22
Total Multifamily Insurance Reserve	$44,698,739	$44,698,739	$44,698,739
Amount Available for Calculation of "Ratio of Insurance to Available Reserve"	44,698,739	44,698,739	44,698,739
Insurance Outstanding			
Multifamily mortgage insurance in force	155,432,090	$165,085,359	$168,232,957
Ratio of Insurance to Available Reserve	3.48 to 1	3.83 to 1	4.26 to 1

Notes:

[1] The Multifamily Insurance Reserve does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of June 30, 2022, MHF had committed to additional mortgages in the amount of $21,960,618.

[2] In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Insurance Reserve or the Multifamily Insurance Reserve may be reduced in a manner determined by MHF to be appropriate. As of June 30, 2022, there was no reduction in the Multifamily Insurance Reserve to cover the accumulated deficit

The total amount of the Multifamily Insurance Reserve is available to pay multifamily insurance claims. In addition, to the extent available, MHF could elect to pay all or part of any multifamily claim from the Unallocated Reserve or from operating funds. MHF maintains other reserves that are not available to pay such claims (e.g., the Single Family Regular, Revitalization, and General Reserves).

4.0 SINGLE FAMILY INFORMATION

4.1 Certain Additional Expected Single Family Claims

Under its Single Family Regular insurance program, MHF is not obligated to pay claims on Single Family insurance until after the insured lender has completed foreclosure, evicted the occupants of the properties (if necessary) and restored the property to a condition satisfactory to MHF. As a result, at any time there are a number of mortgages that have been foreclosed and which are likely to result in payment of claims, but which have not yet reached the point where MHF recognizes them as liabilities in its financial statements. The total principal amount of such potential claims was $83,993 as of June 30, 2022. On a quarterly basis, MHF includes its projection of net losses with respect to these potential claims in its financial statements as part of the allowance for Single Family insurance losses. These amounts are potentially payable from other resources of MHF, including operating cash, the Unallocated Reserve and the Single Family Regular Insurance Reserve.

4.2 Discussion of Single Family Operations

MHF has taken steps to address the potential Single Family claims. A part of this focus is applying active loss mitigation strategies to Single Family loans to prevent them from going to foreclosure, including forbearance and extended repayment plans. In addition, operational reviews of the loan servicers are ongoing. The reviews are intended to insure that loss mitigation strategies are being pursued in applicable cases.

MHF is also managing its sales of units acquired through foreclosure or similar action to improve overall returns by employing private sector real estate brokers to perform repairs, listings and sales of all REO units.

4.3 Single Family Claims Experience

The following chart sets forth information about claims on mortgage loans insured under the Single Family Regular Insurance Reserve and the Revitalization Program Insurance Reserve. Prior to 2016, MHF acquired properties upon paying a claim. No properties have been acquired by MHF since fiscal year 2016 as the Administration has elected to keep title to all acquired properties and only request MHF to pay its prorata claim amount. The data for all reporting periods is subject to adjustment due to additional expenses paid and proceeds received after June 30, 2022.

Single Family Claims Experience

	06/30/20	06/30/21	06/30/22
Pro-Rata Claims Paid	$457,112	$185,162	$23,864
Properties Acquired	0	0	0
Gross Claims Paid	457,112	185,162	23,864
Recoveries	(3,868)	(595)	(681)
Net Claims Paid	$453,244	$184,567	$23,183

4.4 2010 Single Family Insurance Agreement

The 2010 Single Family Insurance Agreement provides as follows:

(1) MHF will not decrease the amount of funds in the Single Family Regular Insurance Reserve as increased from time to time for any reason except to pay claims and advances against claims arising under the Program and for expenditures with respect to properties acquired by MHF as a result of payment of such claims.
(2) Except as necessary to pay claims and advances on claims and except for expenditures with respect to properties acquired by MHF as a result of payment of such claims, MHF will not exceed a certain leverage ratio. See "Management's Presentation of the MHF Program – Discussion of Leverage Ratios."
(3) MHF and the Administration agree that MHF is released from any obligation to continue to provide pool insurance for loans originally covered by pool insurance under the 1980 Single Family Insurance Agreement.

4.5 Terms of Single Family Insurance Coverage

MHF insures mortgage loans on one-to-four family structures under its Single Family Regular Program, which includes the Primary Insurance Program and the Pool Insurance Program.

Pool Insurance. Effective August 1, 2010, MHF was released from any obligation to provide pool insurance for loans originally covered by pool insurance under the 1980 Single Family Insurance Agreement.

Payment of Claims, MHF pays all claims in cash and may settle under one of four options:

(1) Loan Assignment – MHF takes an assignment of the mortgage and pays the claim (but not including expenses of foreclosure and acquisition of title);
(2) Fixed Percentage Settlement – claim settlement under this option is applicable when MHF provides for payment based on a declared percentage of the outstanding loan amount before foreclosure sale, and MHF, under this method, also waives any interest in the subject property;
(3) Lender Acquisition Settlement – the lender acquires title at foreclosure (or by deed in lieu of foreclosure) and transfers title to MHF, and MHF pays the amount of the claim up to the percentage specified in the insurance policy; and
(4) Third Party Acquisition – when the property is sold to a third party (at foreclosure, by the lender after taking a deed in lieu of foreclosure, or by the borrower after the commencement of foreclosure proceedings), with the approval of MHF, MHF pays the lesser of the percentage specified in the primary policy before crediting net sales proceeds or the full claim after crediting net proceeds of sale.

For claims paid under the Lender Acquisition Settlement method, MHF requires the Administration to take all steps required after default in order to deliver the property in a condition satisfactory to MHF. These steps may include foreclosure, eviction of the occupants if necessary, and cleaning of the property. As a result, a substantial period of time may elapse between the time an insured loan goes into default and payment of a claim. MHF Regulations regarding Single Family mortgage insurance do not require MHF to pay interest on a claim from the time an insured lender acquires title to the property, or from the date MHF agrees to take a Loan Assignment or make a Fixed Percentage Settlement, to the time the claim is paid. Claims are paid after the title to the property has been conveyed, which is at least 60 days after foreclosure and could be longer.

MHF will review cases that involve claims of more than nine months of delinquent interest on a case by case basis to ascertain the cause for the delayed claim and determine the amount of interest, if any, in excess of nine months to be paid. Interest will be paid in excess of nine months where circumstances beyond the control of the insured lender caused the delay in making the claim, such as the filing of bankruptcy by the mortgagor.

5.0 MULTIFAMILY INFORMATION

5.1 Multifamily Insurance in Force and Available Reserves

The following table sets forth information about outstanding insurance on mortgage loans under MHF's Multifamily program as of June 30, 2022. The amounts shown are net of debt service claim payments.

5.2 Outstanding Multifamily Insurance

Lender	Units	# of Loans	Original Insured Principal Amount	Current Balances
CDA permanent financing on large multifamily projects (1)	7,639	75	$196,717,100	$157,631,910
CDA Demonstration Program (2)	0	0	0	0
CDA Single Family loans under Multifamily Reserves(3)	0	0	0	0
CDA Special Housing Opportunity Program (SHOP)(4)	445	125	20,453,694	10,601,047
TOTAL	**8,084**	**200**	**$217,170,794**	**$168,232,957**

(1) Loans financed with proceeds of the Administration's Housing Revenue Bonds and the Administration's Multi-Family Residential Revenue Bonds (Insured Mortgage Loans). The loans provided permanent financing for construction and developments located in 19 counties and the City of Baltimore. The projects (not including SHOP) contain units that are assisted under the Section 8 Program.

(2) On December 9, 2014, CDA and MHF created a new Demonstration Program whereby MHF insures short term loans. By utilizing MHF for this purpose, borrowers may avoid the need to obtain costly letters of credit. No loans are outstanding under this program at June 30, 2022.

(3) The CDA Single Family loans under Multi-Family Reserves referenced above were financed with the proceeds of Housing Revenue Bonds of the Administration. The last remaining loan under this category paid off during March 2022.

(4) Loans financed with proceeds of the Administration's Special Housing Opportunities Program.

Charts detailing the multifamily loans insured by MHF and financed by the Administration may be found in the Administration's filings in accordance with Rule 15c2-12 of the Securities and Exchange Commission with the Electronic Municipal Market Access ("EMMA") for Housing Revenue Bonds and for Multifamily Housing Revenue Bonds (Insured Mortgage Loans).

5.3 Certain Additional Expected Multifamily Claims

MHF Regulations provide that after a multifamily mortgage loan insured by MHF has been in default for six months, the Administration or any other public agency that is an insured lender may require that the mortgage loan be assigned to MHF and an insurance claim paid by MHF to the Administration or such public agency. MHF currently has no loans in financial default.

5.4 Discussion of Multifamily Operations

Portfolio Risk Rating. Since June 1997, the Department has developed and implemented a rating system for the MHF-insured Multifamily portfolio. The Department evaluates each insured project each quarter and assigns the loan a rating of "A," "B," or "C." Factors considered in evaluating projects include the project type, the vacancy level, net operating income and debt service coverage ratio, whether the mortgage is delinquent, the age of the loan and the age of the project, whether there is significant deferred maintenance, adequacy of funds held in reserve for replacements in relation to age and condition of project, rating by the Department in its annual management review, and stability of the market surrounding the property.

"A" Projects are those projects that require no more than standard attention because factors indicate the least prospect of default.

"B" Projects are those projects which are not in default but require more oversight and monitoring and present the possibility for default if existing conditions deteriorate further.

"C" Projects are those projects that are in financial or physical default.

5.5 MHF's Risk Rating of the Multifamily Projects as of June 30, 2022

	Outstanding Principal Balances	Percentage of Total Principal	Number of Loans	Number of Projects
"A" Loans:[(1)]	149,696,356	89.0%	74	68
"B" Loans:	15,496,808	9.2%	5	5
"C" Loans:	3,039,793	1.8%	2	2
Portfolio Totals:	$168,232,957	100.0%	81	75

Notes:

[(1)] Included in the 'A' Loans, in the "Outstanding Principal Balance" column, is $10,601,047 for 125 group home (SHOP) loans, which are not reflected in the 'Number of Loans' or 'Number of Projects' columns.

Portfolio Management. The Division is evaluating each of the loans in the “B” and “C” categories to develop a plan for stabilizing the loans and reducing its potential for default. Strategies may include loan modification, use of additional resources, adjustments to funding of reserves for replacement going forward, payment forbearance, and replacement of management agents. As of June 30, 2022, there were two loans in the “C” category of which one is collateralized by marketable securities whose value exceeds the outstanding loan amount, minimizing any additional financial risk to MHF.

5.6 Multifamily Claims Experience

The following chart describes claims paid by MHF on loans insured under the Multifamily Insurance Reserve as of June 30, 2022.

In the column entitled “Claims Net of Cash Recoveries,” the figures show the result as of June 30, 2022. Workouts are in progress. See the individual footnotes below for further information.

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MULTIFAMILY CLAIMS PAID BY MHF

Development/Claim Status	Principal	Interest & Carrying Costs	Total	Recoveries	Claims Net of Cash Recoveries	Date Claim Paid
Closed Claims						
Single Family Mortgage Loans[1]	$ 309,392	$ -	$ 309,392	$ 346,620	$ 37,228	Various
Beethoven Apartments	40,000	-	40,000	40,000	-	
Douglynne Woods & Rhoda's Legacy	566,658	-	566,658	566,658	-	04/1982
Bond Street[2]	543,940	71,711	615,651	408,859	(206,792)	08/1989
Belleview-Manchester[3]	288,333	-	288,333	-	(288,333)	10/1990
Strathdale Manor Apartments[4]	10,700,000	2,376,830	13,076,830	-	(13,076,830)	05/1994
Walker Mill[5]	3,346,441	1,229,080	4,575,521	2,314,817	(2,260,704)	01/1997
Edmondale[6]	457,739	24,206	481,945	-	(481,945)	04/1997
Town Properties[7]	819,111	12,493	831,604	582,989	(248,615)	07/1997
Loch Raven[8]	12,103,623	1,065,472	13,169,095	9,080,444	(4,088,651)	02/1998
Village Home Apartments[9]	954,202	55,182	1,009,384	649,523	(359,861)	12/1998
Regent Apartments[10]	1,227,455	72,446	1,299,901	860,603	(439,298)	01/1999
Maple Avenue[11]	3,053,892	211,540	3,265,432	1,748,397	(1,517,035)	06/1999
Westfield Apartments[12]	4,401,438	390,924	4,792,362	2,910,539	(1,881,823)	11/1999
Westfield Gardens[13]	496,757	1,735	498,492	279,435	(219,057)	11/1999
Apartments at the Greens[14]	6,337,284	21,927	6,359,211	6,010,026	(349,185)	11/1999
Stewarttown[15]	2,543,590	-	2,543,590	2,150,000	(393,590)	12/1999
Telephone Apartments[16]	1,030,275	33,569	1,063,844	773,833	(290,011)	01/2001
Robinwood Townhomes[17]	2,451,741	218,057	2,669,798	2,630,807	(38,991)	11/2001
North Avenue Terraces[18]	1,155,285	48,762	1,204,047	750,000	(454,047)	07/2002
SHOP Loans[19]	772,987	78,925	851,912	725,068	(126,844)	03/2001
Bell Haven Apartments[20]	5,856,640	2,449,128	8,305,768	5,842,157	(2,463,611)	03/1996
Quail Run/Bay Street Properties[21]	1,182,578	37,677	1,220,255	1,186,575	(33,680)	03/2003
Tomall Apartments[22]	152,885	994	153,879	75,000	(78,879)	06/2004
Market Mews[23]	1,700,014	1,565,862	3,265,876	2,168,828	(1,097,048)	12/1985
Eastdale[24]	3,302,667	320,060	3,622,727	3,622,727	-	11/1999
Villages of Laurel[25]	5,036,854	607,133	5,643,987	5,643,987	-	11/1999
Hollins Townhouses[26]	2,445,475	1,073,289	3,518,764	2,052,599	(1,466,165)	10/1990
Lease Purchase[29]	1,534,088	82,619	1,616,707	$1,000,277	(616,430)	05/1996
Claims where debt is outstanding						
Renaissance Plaza[27]	$6,907,349	$4,680,554	$11,587,903	$5,071,731	($6,516,168)	02/1991
Mount Pleasant[28]	3,506,595	601,296	4,107,891	4,066,175	(41,716)	02/1996

Notes:

(1) Claims on eight Single Family loans insured under the Multi-Family Reserve before 1980.

(2) Bond Street Deed of Trust Note in the original principal amount of $543,940.

(3) Belleview-Manchester was a Construction Loan under Administration's HELP Program; secured by a second mortgage. First insured lender bought property at the foreclosure sale.

(4) Strathdale Manor Apartments Deed of Trust Note in the original principal amount of $14,285,000. Claim amount paid by MHF included $10,700,000 of original principal on the Note and $145,139 in interest. MHF paid $2,205,204 of operating deficits for the project. The proceeds of a letter of credit in the amount of $3,585,000 provided by Maryland National Bank were used to cover the rest of the original principal portion of the Note. As required by an intercreditor agreement between MHF and Maryland National Bank, MHF filed for foreclosure on August 4, 1994, and after prolonged negotiations with Baltimore City, the project developer, and other developers interested in further renovating the project proved unsuccessful, the property was sold to Baltimore City at foreclosure on April 15, 1997. The property was sold for an amount that was insufficient to provide any recovery to MHF.

(5) Walker Mill Deed of Trust Note in the original principal amount of $4,400,000, as modified by an allonge dated November 5, 1987, reducing the principal amount of the Note to $3,400,000. The Deed of Trust Note was sold and assigned to an unrelated third party purchaser on February 6, 1997.

(6) Edmondale Deed of Trust Note was in the original principal amount of $508,000.

(7) Town Properties Deed of Trust Note in the original principal amount of $884,984. The property was sold to an unrelated third party at foreclosure on August 7, 1997.

(8) Loch Raven Deed of Trust in the original principal amounts, as amended into two, Deed of Trust Notes: of $9,765,000 and $2,785,000, respectively. In return, the Administration accepted a demand note from MHF in the principal amount of $11,782,615, the amount of the outstanding indebtedness net of the non-refundable deposit for the sale of the Deed of Trust Notes bearing interest at 8.25%. The Deed of Trust Notes were sold and assigned to an affiliate of the borrower on February 3, 1998. MHF received net sale proceeds in the amount of $8,900,000, which were combined with additional claim payments totaling $2,890,216 to repay the claim note and accrued interest. The net loss on the transaction was paid from the Unallocated Reserve.

(9) Village Home Apartments Deed of Trust Note in the original principal amount of $986,856, dated September 30, 1993. The property was sold for $640,000. The Administration accepted a claim note from MHF for $1,009,109. MHF paid $318,664 plus $50,720 paid previously as pre-claim payments and $275 per diem interest and then signed over the proceeds to repay the claim note in December 1999.

(10) Regent Apartments Deed of Trust Note in the original principal amount of $1,255,000 dated September 16, 1994. The property was sold for $860,603. The Administration accepted a claim note from MHF for $1,299,265. MHF paid $383,187 plus $55,475 paid previously as pre-claim payments and $636 per diem interest and then signed over the proceeds to repay the claim note in January 1999.

(11) Maple Avenue Deed of Trust Note in the original principal amount of $3,150,000 dated March 12, 1992. The property was sold for $1,700,000 less settlement charges. The Administration accepted a claim note from MHF for $2,953,878. MHF paid $1,288,286 plus $310,294 paid previously as pre-claim payments, $1,259 per diem interest, signed over the proceeds, and, with $10,000 received directly by the Administration, repaid the claim note in June 1999.

(12) Westfield Apartments Deed of Trust Note in the original principal amount of $4,600,000 dated April 12, 1983. The property was sold for $2,910,539. MHF paid a partial claim in the amount of $1,433,520 that included $390,924 of accrued interest plus $448,303 paid previously as pre-claim payments.

(13) Westfield Gardens Deed of Trust Notes in the original principal amounts of $498,908 and $28,150 dated September 21, 1983. The property was sold for $279, 435. MHF paid a partial claim in the amount of $180,318, which included $1,735 of accrued interest, plus $38,739 paid previously as pre-claim payments.

(14) Apartments at the Greens Deed of Trust Notes in the original principal amounts of $6,348,627 and $341,850 dated April 21, 1983. The property was sold for $6,010,026. MHF paid a partial claim in the amount of $302,222, which included $21,927 of accrued interest, plus $46,963 paid previously as pre-claim payments.

(15) Stewarttown Deed of Trust Note in the original principal amount of $3,136,100 dated July 18, 1975. The property was sold for $2,150,000. MHF paid a partial claim payment in the amount of $393,590.

(16) In May 1993, MHF paid a partial claim on a project called Telephone Apartments, in the amount of $291,487 for which a promissory note was received. On February 8, 2001, MHF sold the Deed of Trust Note. The proceeds of the sale exceeded the claim paid to the

Administration by MHF by $1,477. The partial claim of $291,487 will not be repaid. MHF had an allowance for loan loss for the full amount of this note.

(17) Robinwood Townhomes Deed of Trust Note was in the original principal amount of $2,641,750. MHF paid a claim in full in the amount of $2,653,883 on November 9, 2001. MHF foreclosed on this property on November 15, 2001. MHF sold the property for the purchase amount of $2,410,000. The Circuit Court of Baltimore City ratified the sale on January 10, 2002. On June 24, 2002, MHF collected $2,330,331 in net sales proceeds.

(18) In July 2002, MHF issued a claim note to the Administration and accepted assignment of an insured Deed of Trust and Deed of Trust Note in the original principal amount of $1,350,000 that financed a project known as North Avenue Terrace. MHF sold the Deed of Trust Note and received sales proceeds in the amount of $750,000 on July 25, 2002. MHF paid the claim note in full with payment to the Administration in the amount of $1,145,826 on July 30, 2002.

(19) Nine Deed of Trust Notes in the original principal amounts of $833,650 for the various SHOP loans. MHF paid full claim payments on the nine loans in the amounts of $824,224. In March 2001, MHF accepted five loan assignments in the original principal amount of $502,950. MHF paid full claims on the five loans for $491,062 and received full recovery on the first and fourth loans by virtue of third party sales at foreclosure on June 7, 2001. MHF realized losses on the sale of the second and third loans of approximately $27,000 and $22,000, respectively. MHF realized a loss of approximately $40,000 on the fifth loan by virtue of third party purchasing on June 7, 2001. In August 2001, MHF accepted one assignment in the principal amount of $108,000. MHF paid a full claim on the loan for $106,372 and realized full recovery at a third party foreclosure sale on August 16, 2001. In October 2001, MHF accepted another three assignments in the original principal amount of $222,700. MHF paid full claims on the three loans for $226,790 and received full recovery on one loan at the third party foreclosure sale on June 13, 2002. MHF realized losses of approximately $18,000 and $16,000 on the two loans at the third party foreclosure sale on June 13, 2002. The court ratified the foreclosure sales on July 26, 2002.

(20) In June 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note, for a project named Belle Haven, in the original amount of $6,186,990. MHF paid a claim in full for the project in the amount of $7,995,330 on June 26, 1996. MHF received partial recovery of this amount upon disposition of the underlying collateral. The property was brought-in by MHF with a bid of $5,100,000 at foreclosure auction held on July 25, 2000. The Circuit Court of Prince George's Count ratified the foreclosure sale on January 25, 2001. A contract for the sale of the property was executed on February 7, 2001, and sold on August 30, 2001, in the amount of $5,100,000. MHF received net proceeds from the sale in the amount of $4,844,394 and a Note in the remaining amount of $210,000 payable by February 1, 2004. The purchaser made payments on the MHF Note totaling $232, 981, including the final payment in the amount of $130,772, which was received on May 21, 2003.

(21) In March 2003, MHF accepted assignment of an insured Deed of Trust and Deed of Trust Note in the original principal amount of $1,276,037 that financed a project known as Quail Run Apartments (Bay Street Properties). MHF paid the claim note in full on March 13, 2003 with a payment to the Administration in the amount of $1,058,783. The property was sold at foreclosure auction on June 27, 2003 for $1,160,000. Settlement of the transaction occurred on November 5, 2003. On December 2, 2003, the Circuit Court for Worcester County ratified the auditor's report of the transaction. On December 4, 2003, after payment of the auctioneer's commission and advertising expenses, sales proceeds in the amount of $1,174,575 were collected with additional interest received.

(22) On September 19, 1984, the Administration made a loan in the principal amount of $250,000 to Ronald H. Thomas in connection with a project called Tomall Apartments. MHF paid the claim note in full on June 28, 2004 with a payment to the Administration in the amount of $153,879. On June 30, 2004, MHF collected $75,000, which represents a partial recovery. The property was sold to a new owner who planned to rehabilitate the project.

(23) Market Mews Deed of Trust Note is in the original principal amount of $1,700,000. MHF paid all amounts in arrears totaling $151,733. The Administration accepted a promissory note from MHF in the total principal amount of $1,693,568, with interest at the annual rate of 7%, which had a maturity date of December 31, 1995. MHF paid the claim note in full as of February 22, 1995. MHF paid the principal and interest on the claim note and operating deficits in the total amount of $3,265,876. MHF foreclosed on this development in an uncontested foreclosure proceeding held on July 14, 1995. The original collateral for the loan consisted of 31 scattered site units, of which, all units were sold.

(24) Eastdale Deed of Trust was in the original amount of $3,401,000. The loan was refunded with $2,450,000 in new bond proceeds. MHF made a partial claim payment in the amount of $746,513 and pre-claim payments in the amount of $426,214. MHF received cash of $54,324 and a Cash Flow Note in the amount of $1,118,403, equal to the net claim paid. The MHF Note was secured by a second deed of trust lien on the land and improvements on which the project is located. The project made net payments on the MHF Note of $490,510. In July 2010, the loan was paid off and MHF received payment in the amount of $627,893.

(25) Villages of Laurel Deed of Trust Note, was in the original amount of $5,140,000. The loan was refunded with $3,173,200 in new bond proceeds. MHF made a partial claim payment in the amount of $1,645,098 and pre-claim payments in the amount of $825,689. MHF received cash of $54,023 and a Cash Flow Note in the amount of $2,416,765, equal to the net claim paid. The MHF Note was secured by a second deed of trust lien on the land and improvements on which the project is located. The project made net payments on the MHF Note of $686,059. In March 2011, the loan was paid off and MHF received payment in the amount of $1,730,706.

[26] Hollins Townhouses Deed of Trust Note in the original principal amount of $2,300,000. MHF paid all amounts in arrears totaling $176,025, and the Administration accepted a promissory note from MHF in the total principal amount of $2,427,094, with interest at the annual rate of 7%, which had a maturity date of December 31, 1995. MHF paid the claim note in full as of February 22, 1995. MHF foreclosed on this development in an uncontested foreclosure proceeding held on July 14, 1995. The original collateral for the loan consisted of 48 scattered site units, of which, the last unit was sold in April 2011.

[27] Renaissance Plaza Deed of Trust Note in the original principal amount of $7,000,000. MHF paid all amounts in arrears totaling $428,052 in February 1991. In connection with the default, MHF also paid additional principal of $6,880,050; interest totaling $1,498,664, and operating deficits in the amount of $2,781,137. The Renaissance Plaza project, which consists of three buildings, has been sold pursuant to the orders of a judicial receivership. Closing on the sale of one building occurred on December 30, 1993. MHF received two notes in payment of the purchase price: a first lien mortgage in the amount of $2,722,544 at 6.22% interest, $365,000 of which is an amortizing loan, the balance to be paid out of cash flow, if any, from the properties; and a second lien gap note in the amount of $512,404 at 0% interest until maturity. The gap note was paid in full at the closing of financing for rehabilitation of the building on February 18, 1994. The closing of the other two buildings occurred on December 14, 1994. MHF received three notes in payment of the purchase price for the two buildings: a first lien mortgage in the amount of $2,600,000 at 7.4% interest to begin amortizing on January 1, 1997; a second lien mortgage in the amount of $4,450,000 at 8.23% interest to be paid out of cash flow, if any, from the properties; and a third lien gap note in the amount of $500,000 at 0% interest until maturity (April 13, 1995), and a default rate of 7.4% interest. The gap note was paid in full at the closing of financing for rehabilitation of the two buildings on February 14, 1995. The $2,600,000 deed of trust note was sold at par and assigned to the Administration on September 24, 1996, in connection with an issuance of bonds by the Administration.

[28] In February 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note in the original principal amount of $3,900,000 for a project called Mount Pleasant. MHF paid a claim for the project in the amount of $4,107,891 on February 15, 1996. The property was sold to new ownership that planned to rehabilitate the project using a combination of new equity funds and State and City of Baltimore financing in combination with proceeds of the Administration’s Multi-Family 1995 December Bond Issue in the amount of $2,550,000. New Administration and MHF loan documents were executed in conjunction with a loan closing in July 1996. MHF received a Deed of Trust Note in the amount of $1,087,259, of which, $293,770 is an amortizing 0% interest loan, and the balance is a cash flow loan with interest accruing at 2% per annum. MHF received partial recovery of $2,450,000 at the time of closing and $1,066,720 in September 1996. Reserves for construction contingences and various operating expenses, in the amount of $460,305, were funded from the recovery proceeds. In June 1998, a construction reserve held by MHF in the amount of $198,000 and cost certification savings received from the Administration in the amount of $100,513 were applied to reduce the outstanding principal balance of the Deed of Trust note held by MHF.

[29] In May 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note in the original amount of $2,000,000, which financed a project known as Lease Purchase. MHF paid a claim for the project in the amount of $1,587,498 on May 15, 1996. MHF received partial recovery of this amount upon disposition of the underlying collateral. MHF accepted a deed of assignment on this project on July 12, 1996. The original collateral for the loan consisted of 40 scattered site units, the last two of which were sold in April, 2020.

6.0 ACTUARIAL STUDY

The Insurance Agreement amended in 2006 no longer requires periodic actuarial studies.

7.0 STAFF

The Director of MHF is appointed by the Secretary of the Department and serves at the pleasure of the Secretary, with such authority as the Secretary determines to delegate to the Director. The Director also serves as the Director of the Division of Credit Assurance of the Department.

Financial operations for MHF have been centralized and are now within the Division of Finance and Administration for the Department.

Certain senior staff members of the Division of Credit Assurance, the Division of Finance and Administration, and MHF are as follows:

Name	Position
Allen W. Cartwright, Jr.	Director, Division of Credit Assurance and MHF
Sergei V. Kuzmenchuk	Chief Financial Officer
Olasunbo Lawal	Director, Division of Finance and Administration
Crystal Quinzani	Deputy Director, MHF Finance, Special Projects and Reporting
Eizebel Trojillo	Deputy Director, Budget Management and Grant Accounting
Octavia Robinson	Deputy Director, Capital State Accounts and General Accounting

Allen W. Cartwright, Jr. joined the staff of the Division of Credit Assurance as the Deputy Director of MHF in March 2006 and became the Director of the Division of Credit Assurance and the Director of MHF on April 9, 2015. Mr. Cartwright previously served as MHF Manager of Finance from 1988 through 1991. Prior to rejoining the Division of Credit Assurance in 2006, Mr. Cartwright was the Chief of Mission Support and then Chief of Customer Care for the Washington Suburban Sanitary Commission from April 2000 through November 2005. Mr. Cartwright also served as the Director of Finance and then the Assistant Secretary of Finance and Administration for the Maryland Department of Natural Resources from May 1991 through April 2000. He has worked as a finance manager for the Federal Home Loan Mortgage Corporation (Freddie Mac), MCI and DuPont. He is a Certified Public Accountant and earned his Bachelor of Science degree in Commerce from the McIntire School of Commerce at the University of Virginia.

Sergei V. Kuzmenchuk joined the Department as its Chief Financial Officer in June of 2015 after serving as Chief Financial Officer at the District of Columbia Housing Finance Agency (the "DCHFA") since October 2008. Prior to joining the DCHFA, he served as the Department's Deputy Director of Finance for the Administration from August 2000 until January 2006, and Director of Finance for the Administration from January 2006 until October of 2008. Prior to his work at the Department and DCHFA, Mr. Kuzmenchuk worked in various financial management and international trade and banking capacities, both domestically and overseas. Mr. Kuzmenchuk earned his Master of Business Administration degree in Accounting in 2002 from the Joseph A. Sellinger, S.J., School of Business and Management, Loyola University, and in 1995 earned a Master of Public Management degree in Public Sector Financial Management from the School of Public Policy, University of Maryland, College Park. In 1993, Mr. Kuzmenchuk received his Bachelor of Arts and Master of Arts degrees in English and French Interpretation from the Minsk State Linguistic University, Minsk, Belarus.

Olasunbo Lawal was appointed Director of the Division of Finance and Administration (DFA) effective as of May 9, 2022. Prior to his appointment, Mr. Lawal served as the Director of General Accounting for DFA, a position that he held since February 2018. Before joining the Department, Mr. Lawal served as the Assistant Director of the Division of Finance and Administration for the Baltimore City Department of Social Services for three years. Mr. Lawal holds a Master of Science degree in Accounting from American University Washington DC. In addition, Mr. Lawal is a Certified Public Accountant and a Certified Internal Auditor.

Crystal Quinzani was appointed Deputy Director, MHF Finance, Special Projects and Reporting, of the Division of Finance and Administration (DFA), effective May 9, 2022. Ms. Quinzani joined the Department in August 2016 as Director of Financial Analysis for DFA and in July 2017 became Director of MHF Finance for DFA. She came to the Department from the State of Florida, where she worked for the Florida Office of Financial Regulation for seven years, and was Area Financial Manager for the Division of Banking. Prior to her work with the State of Florida, she spent 16 years working in various capacities in community banks in the Orlando, Florida area. She holds a Bachelor of Arts degree in Finance from the University of Central Florida.

Eizebel Trojillo was appointed Deputy Director, Budget and Grant Accounting, of the Division of Finance and Administration (DFA), effective May 9, 2022. Prior to her appointment, Ms. Trojillo served as the Director of Budget Analysis for DFA, a position that she held since November 2019. Before joining the Department, Ms. Trojillo worked overseas with Royal Dutch Shell Philippines for 20 years, with her last position being the Downstream Compliance Manager in charge of Governance, Risk, and Sarbanes-Oxley Act Compliance. Ms.

Trojillo holds a Bachelor of Science degree in Accounting from the Assumption College, Makati, Philippines, and is a Certified Public Accountant (Philippines chapter).

Octavia Robinson was appointed Deputy Director, Capital State Accounts and General Accounting, of the Division of Finance and Administration (DFA), effective May 9, 2022. Prior to her appointment, Ms. Robinson served as the Director of State Funded Loan Programs for DFA, a position that she held since November 2019. Before joining the Department in 2017, Ms. Robinson served as the Chief Financial Officer for the Maryland Department of Public Safety and Correctional Services for seven years. Ms. Robinson holds a Master of Science degree in Accounting from University of Phoenix.

8.0 ADDITIONAL INFORMATION

For additional information, please contact Investor Relations at (301) 429 - 7897 or email cdabonds_mailbox.DHCD@maryland.gov.

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MARYLAND HOUSING FUND

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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MARYLAND HOUSING FUND
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YEARS ENDED JUNE 30, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development
Lanham, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the statements of the Maryland Housing Fund (MHF) of the Department of Housing and Community Development of the State of Maryland, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2022 and 2021, and the changes in financial position, and, its, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Financial Statement Presentation

As discussed in Note 1, the financial statements present only the financial position, changes in financial position, and cash flows of MHF and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2022 and 2021, and the changes in its net position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion on the basic financial statements was not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of Housing and Community Development's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Management has elected to omit the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2022

MARYLAND HOUSING FUND
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Unrestricted Current Assets:		
Deposit with State Treasurer:		
Operating Account	$ 3,697,570	$ 2,953,507
Loans and Interest Receivable, Net of Allowance for Loans and Related Losses	-	-
Due from Other Funds	340,012	564,959
Other	43,695	205,400
Total Unrestricted Current Assets	4,081,277	3,723,866
Restricted Current Assets:		
Deposit with State Treasurer:		
Reserve Accounts	84,946,335	84,570,915
Total Restricted Current Assets	84,946,335	84,570,915
Total Current Assets	89,027,612	88,294,781
NONCURRENT ASSETS		
Investment Held for Borrower	2,459,425	2,551,153
Loans and Interest Receivable, Net of Allowance for Loans and Related Losses and Current Portion	-	-
Total Noncurrent Assets	2,459,425	2,551,153
Total Assets	$ 91,487,037	$ 90,845,934

See accompanying Notes to Financial Statements.

MARYLAND HOUSING FUND
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

LIABILITIES AND NET POSITION	2022	2021
CURRENT LIABILITIES		
Accounts Payable	$ 121,097	$ 199,374
Accrued Compensated Absences	40,532	28,506
Accrued Workers' Compensation	300	300
Investment Held for Borrower	194,828	266,546
Unearned Premiums	463,233	393,159
Unearned Fees	12,885	13,026
Allowance for Unpaid Insurance Losses	83,993	105,498
Total Current Liabilities	916,868	1,006,409
NONCURRENT LIABILITIES		
Accrued Compensated Absences, Net of Current Portion	61,173	74,538
Accrued Workers' Compensation, Net of Current Portion	1,700	1,700
Investment Held for Borrower, Net of Current Portion	2,459,425	2,551,153
Allowance for Unpaid Insurance Losses, Net of Current Portion	9,437,472	9,296,274
Total Noncurrent Liabilities	11,959,770	11,923,665
Total Liabilities	12,876,638	12,930,074
NET POSITION		
Restricted Net Position:		
Multi-Family Reserve	44,698,739	44,698,739
Single Family Regular Reserve	13,821,570	13,834,499
Revitalization (Pilot) Reserve	2,185,258	2,185,258
Small Business Reserve	10,000,000	10,000,000
General Reserve	8,593,422	8,593,422
Unallocated Reserve	5,636,189	5,260,768
Total Restricted Net Position	84,935,178	84,572,686
Unrestricted Accumulated Deficit	(6,324,779)	(6,656,826)
Total Net Position	78,610,399	77,915,860
Total Liabilities and Net Position	$ 91,487,037	$ 90,845,934

See accompanying Notes to Financial Statements.

MARYLAND HOUSING FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Net Premiums	$ 779,591	$ 705,806
Interest Income on Reserves	375,421	260,768
Interest Income on Loans	526,546	528,307
Other Income	987,120	882,230
Total Operating Revenues	2,668,678	2,377,111
OPERATING EXPENSES		
General and Administrative	1,348,661	1,199,608
Direct Losses on Claims	20,178	201,095
Provision (Benefit) for Insurance and Loan Losses	605,300	211,312
Total Operating Expenses	1,974,139	1,612,015
Operating Income before Transfers	694,539	765,096
Transfer of Funds	-	(152,454)
CHANGE IN NET POSITION	694,539	612,642
Net Position - Beginning of Year	77,915,860	77,303,218
NET POSITION - END OF YEAR	$ 78,610,399	$ 77,915,860

See accompanying Notes to Financial Statements.

MARYLAND HOUSING FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Premiums, Net	$ 1,236,317	$ 731,301
Receipts from Principal and Interest on Loans	526,546	528,307
Changes to Provision for Insurance and Loan losses	(605,300)	(211,312)
Payments for Mortgage Escrows	(163,446)	(424)
Receipts from Mortgage Escrows	91,728	(23,416)
Receipts (Payments) from Security Deposits	-	(977)
Receipts from Miscellaneous Fees	986,979	882,467
Payments for General and Administrative Expenses	(1,308,584)	(1,480,478)
Payments for Claims	(20,178)	(201,095)
Receipts from Interest Earned on Reserves	375,421	260,768
Transfer to State Funded Programs	-	(152,454)
Net Cash Provided by Operating Activities	1,119,483	332,687
NET INCREASE IN CASH	1,119,483	332,687
Deposit with State Treasurer, Balance - Beginning of Year	87,524,422	87,191,735
DEPOSIT WITH STATE TREASURER, BALANCE - END OF YEAR	$ 88,643,905	$ 87,524,422
RECONCILIATION OF CHANGE IN OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 694,539	$ 765,096
Adjustments to Reconcile Change in Net Position to Net Cash Provided (Used) by Operating Activities:		
Transfer to State Funded Programs	-	(152,454)
Effects of Changes in Operating Assets and Liabilities:		
Premiums and Other Receivables	161,705	(147,934)
Investments and Other Assets	(71,718)	(23,840)
Due from DHCD	224,947	164,740
Accounts Payable and Other Accrued Liabilities	(79,616)	(4,813)
Security Deposits Payable	-	(977)
Allowance for Unpaid Insurance Losses	119,693	(276,057)
Unearned Premiums	70,074	8,689
Unearned Fees	(141)	237
Net Cash Provided by Operating Activities	$ 1,119,483	$ 332,687

See accompanying Notes to Financial Statements.

NOTE 1 PROGRAM DESCRIPTION

The Maryland Housing Fund (MHF) was established in 1971 by Section 3-201 through 3-208 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, to encourage the flow of private investment capital into multiple-unit and Single Family housing by insuring qualified lending institutions against losses on mortgage loans. MHF is authorized to insure mortgage loans, including mortgage loans for Multi-Family developments financed by public agencies such as the Community Development Administration (CDA), a governmental unit within the Division of Development Finance of the Department of Housing and Community Development (DHCD) and to provide primary insurance for Single Family mortgage loans. Legislation enacted in 2016 expanded MHF's authority to insure business loans originated by qualified lending institutions. MHF insures against certain monetary losses incurred as a result of nonpayment of principal, interest or other sums agreed to be paid and certain other events of default under the terms of any insured mortgage loan, but does not insure against property losses, including without limitation, title risk, risks of defective construction or casualty, or any other reduction in project value due to insurable risk or force majeure, casualty or title loss. Legislation enacted in 1981 enables MHF to originate mortgage loans to assist in the disposal of property acquired through foreclosure or pursuant to any other payment in settlement of a claim or loss. MHF is a governmental unit within DHCD's Division of Credit Assurance.

MHF maintains six restricted insurance reserves, which are separate from MHF's operating funds. Five of the reserves cover specific categories of insurance; the Multi-Family Reserve, the Single Family Regular Program Reserve, the Revitalization Reserve (formerly known as the PILOT program insurance reserve), the Business Reserve, and the General Reserve. The investment earnings on each of the five specific reserves are credited to a sixth reserve, the Unallocated Reserve. The Unallocated Reserve may be allocated and transferred by the Secretary into each of the reserves, restricted by the Secretary as a reserve to pay claims on all categories of claims, applied by MHF as payment of a claim, or retained in the Unallocated Reserve pending allocation, transfer, or restriction. Investment earnings on each of the six reserves are credited to the Unallocated Reserve. In 2008, legislation was passed pursuant to Senate Bill 983 requiring MHF to transfer from the Unallocated Reserve to DHCD's Homeownership Programs Fund, Rental Housing Programs Fund, and Special Loan Programs Fund all amounts in excess of $10,000,000 at the end of each fiscal year. These transfers can be found in Note 8 of this document.

The MHF statute provides that any moneys of MHF that DHCD creates as an identifiable insurance reserve may be used only in conformance with the terms and conditions creating that reserve. MHF regulations provide that each reserve is maintained to pay claims arising from its respective category of insurance and may not be subject to claims arising from other categories of insurance except for the Unallocated Reserve.

MHF's reserve funds are derived from the net proceeds of five issues of the State of Maryland (State) general obligation bonds aggregating $39,300,000 and $7,500,000 in proceeds derived from State appropriations. In addition, the funds have earned investment income and paid claims. The unrestricted accumulated deficit reflects MHF's operations since inception less interest income. The reserves are held by the Office of the Treasurer of the State, which credits MHF with income on investment of reserves for the benefit of MHF.

NOTE 1 PROGRAM DESCRIPTION (CONTINUED)

The Multi-Family Reserve supports several programs. All existing Multi-Family insurance insures projects financed by CDA's revenue bonds and projects with Montgomery County. These programs include:

- Regular Multi-Family Program fully insures permanent mortgages originated prior to 1997 that were funded by CDA and the Housing Opportunities Commission of Montgomery County. These loans were paid in full during FY2021.

- Risk-Share Program insures both construction and permanent mortgages financed with CDA bond proceeds with credit enhancement under the Federal Housing Administration (FHA) Risk Sharing Program. As a Level I participant under the FHA Risk-Sharing Program, upon payment of a claim by FHA, CDA is responsible for reimbursing FHA up to 50% of such claim. As a Level II participant under the FHA Risk-Sharing Program, upon payment of a claim by FHA, CDA is responsible for reimbursing FHA up to 25% of such claim. MHF then reimburses CDA for its share of such losses. This is an active multi-family program.

- Special Housing Opportunity Program (SHOP) insures mortgages financed or refinanced for the acquisition, construction or rehabilitation of shared living and related facilities for the special needs population which are owned by and sponsored by nonprofit organizations. This is an active multi-family program.

- Single-Family mortgages funded through private lenders and CDA for permanent mortgages in publicly designated renewal or redevelopment areas. Insurance offered provided 100% coverage and is backed by the Multi-Family Reserve Fund. MHF continues to manage the existing portfolio but ceased issuing new insurance under this program in 1997.

- MHF Demonstration Program – Effective December 9, 2014, MHF and CDA created a demonstration program (the "MHF Demonstration Program") whereby MHF insures short term loans ("Short Term Loans") financed with proceeds from the sale of short term bonds ("Short Term Bonds") issued under CDA's multi-family Housing Revenue Bond Resolution ("HRB"). The MHF Demonstration Program is an additional cost-effective option extended to borrowers for the provision of credit enhancement for Short Term Loans financed under HRB. Eligibility for the MHF Demonstration Program is limited to projects that: (i) need to use more than 25% of its projected tax credit equity to cash collateralize a letter of credit ("LOC") that otherwise would be delivered to secure Short Term Bonds during construction, and (ii) where the amount of the Short Term Loan (which equals the amount of the cash collateral account that would be required by a LOC provider) is greater than 25% of the projected tax credit equity. No borrower, including all related entities, may have Short Term Loans insured under the MHF Demonstration Program at any one time in excess of $5 million. In addition, 25% of the projected amount of tax credit equity to be generated by a project must be contributed to the project at the closing of the Short Term Loan. MHF's obligations under the MHF Demonstration Program are backed only by MHF's Unallocated Reserve. The aggregate amount of outstanding indebtedness to be insured under the MHF Demonstration Program may not exceed $10 million from MHF's Unallocated Reserve at any given time. There are no loans currently insured under this program.

NOTE 1 PROGRAM DESCRIPTION (CONTINUED)

The Single-Family Regular Reserve insures mortgages funded by private Maryland lending institutions and CDA. These programs include:

- Single-Family Regular Insurance Program consists of mortgages originated prior to 1997. These mortgages may have had primary insurance (MHF is liable for the top 25% of the original mortgage) and/or pool insurance (MHF is liable for the bottom 75% of the original mortgage). Pool insurance coverage was limited to 10% of lendable proceeds for the aggregate of revenue bond issues (stop-loss). Effective August 1, 2010, MHF was released from any obligation to provide the pool insurance on these loans. MHF continues to provide primary insurance on these loans.

- Mortgage Protection Program consists of 30 and 40 year mortgages originated after 2005, funded with CDA bond proceeds with insurance coverage only for the top 35% of the original mortgage and up to six months of mortgage payments (limited to no more than $2,000 per month). These mortgages maintain a fixed rate of interest for the full loan term and allow borrowers to finance a one-time mortgage insurance premium as part of the mortgage, thereby requiring no additional outlay of cash by the borrower at the closing, resulting in a lower monthly mortgage payment. MHF no longer issues new insurance under this program.

- Reinsurance Program commenced in 2011 and consists of mortgages originated between 2005 and 2010 funded with CDA bond proceeds which had mortgage insurance only for the top 35% of the original mortgage. Under the program, CDA paid a monthly premium for MHF to insure 50% of any losses incurred by CDA on the uninsured 65% of the original mortgage up to $12.5 million. The program was set to terminate on the earliest date of MHF reaching $12.5 million in net losses or December 31, 2020. All claims are paid from the Single Family Regular Insurance Reserve. The program terminated in May of 2014 when MHF had paid $12.5 million in net losses.

The Revitalization (Pilot) Reserve insures mortgages funded through CDA and private Maryland lenders for up to 100% of the mortgage balance.

- The program stimulates the flow of private mortgage capital into areas which have suffered decreasing home ownership and associated economic and social instability. These mortgages originated prior to 2005. The last of the loans in this program was paid off during FY2021.

- The Healthy Neighborhood Program provides credit enhancement to a loan program sponsored by a nonprofit corporation, which is intended to stabilize and strengthen property values in targeted areas in the City of Baltimore. MHF insures less than 3% of the outstanding loan balance under this program.

NOTE 1 PROGRAM DESCRIPTION (CONTINUED)

Small Business Insurance Reserve

- Business Loan Program provides insurance coverage and credit enhancement on loans originated by CDA or other eligible lenders to stimulate the flow of private capital to fund business projects located in publicly designated renewal or redevelopment areas. There are currently no loans insured under this program.

General Reserve

- The General Insurance Reserve provides 35% insurance on certain CDA single-family mortgages as an incentive to refinance or restructure loans for Maryland borrowers with an existing CDA loan. MHF continues to maintain active mortgages but no longer issues new commitments under this program.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Relationship with the State

MHF is one of many programs administered by DHCD and the State. Other State agencies, such as the Department of Budget and Management, support DHCD by providing services for DHCD and thus allocate a portion of their expenses to DHCD. MHF has no direct employees and is entirely supported by staff at DHCD to perform all necessary functions of MHF. Thus, MHF's accompanying financial statements are not indicative of MHF as if it were a stand-alone entity. MHF is included in the enterprise funds of the State.

Generally Accepted Accounting Principles

MHF reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). Consequently, MHF applies all applicable GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, and losses during the reporting periods. Actual results could differ from these estimates.

Cash and Cash Equivalents on Deposit

Cash and cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The investment is a U.S. government treasury zero-coupon bond carried at fair value based on quoted market prices. The investment is classified as long-term based on the maturity date.

Loans and Interest Receivable, Net of Allowance for Loans and Related Losses

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses. Based on Management's assessment, MHF has reviewed these loans and determined that collection is unlikely given the financial situation of the borrowers. A full allowance has been recorded.

Allowance for Unpaid Insurance Losses

MHF provides for estimated insurance losses under each insurance plan. The allowance for unpaid insurance losses is increased by provisions charged to current operating expenses and reduced by claim payments. The provision for possible insurance losses is based on management's review of insured properties, considering past loss experience, current economic conditions, and other environmental factors which may affect the frequency of claims and the recovery of claim costs. Actual results could differ from those estimates.

Restricted Net Position

In accordance with accounting guidance issued by the GASB, net position should be reported as restricted when constraints placed on net position use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all funds and accounts whose purpose is to pay possible future claims are restricted as to their use, as is interest earned on these restricted assets. MHF first applies restricted resources when an expense is incurred for purposes for which those restricted and unrestricted net position is available.

Revenues and Expenses

Operating revenues and expenses generally result from mortgage insurance activities in connection with MHF's ongoing operations. The principal operating revenue is mortgage insurance premiums. Operating expenses include expenses relating to claims from defaulted loans and general and administrative expenses. The interest earned on reserve accounts is restricted revenue.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premium Income Recognition

Premium income on all loans is recognized on a straight-line basis over the benefit period covered by the premiums.

General and Administrative

MHF is subject to an allocation of intradepartmental support costs of the DHCD, which are included in general and administrative in the Statements of Revenues and Expenses. Such costs could affect MHF's financial position or operating results in a manner that differs from those that might have been obtained if MHF was autonomous. MHF records these costs as invoiced by DHCD for the fiscal year. However, the allocation is subject to review and adjustment subsequent to year-end.

NOTE 3 CASH AND INVESTMENTS

Deposit with State Treasurer

MHF defines cash and cash equivalents as cash and short-term investments that are held on deposit with the State Treasurer. Cash receipts and disbursements of MHF are made through a cash pool maintained by the State Treasurer. None is uninsured and uncollateralized. MHF has on deposit with the State Treasurer both unrestricted and restricted cash and cash equivalents. MHF reports its operating account as unrestricted. MHF reserve accounts are reported as restricted.

Additional information can be obtained from the State of Maryland Annual Comprehensive Financial Report by visiting the website https://www.marylandtaxes.gov/reports/cafr.php.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MHF adheres to Maryland State Treasurer's policy for managing its exposure to fair value loss arising from increasing interest rates. The Maryland State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. MHF's policy for reducing its exposure to credit risk is to comply with Maryland State Treasurer's policy, which requires that the Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. MHF's policy for reducing this risk of loss is to comply with the Maryland State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, MHF will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. Investments and collateralized securities are held in trust by the trustee or the trustee agent, kept separate from the assets of the bank and from other trust accounts and are held in MHF's name.

Investment Held for Borrower

The investment consists of a U.S. government treasury zero-coupon bond carried at fair value based on quoted market prices. The investment is classified as long-term based on the maturity date.

The following asset reported at fair market value and held by MHF at June 30, 2022 and 2021 is evaluated in accordance with accounting guidance issued by the GASB for interest rate risk, credit risk, concentration of credit risk and custodial credit risk. This investment is held as collateral on a Multi-Family loan and matures on April 15, 2024.

	2022	2021
Investment Held for Borrower (Obligations of U.S. Government Agencies)	$ 2,459,425	$ 2,551,153

This bond is pledged as additional collateral to further secure the repayment of certain promissory notes by the borrower of loans that are owned by MHF. The loan agreements provide that, at maturity, MHF will either (i) return the proceeds, or a defined portion thereof, to the borrower if certain limited conditions have been satisfied, or (ii) apply the proceeds, or a defined portion thereof, to the outstanding balances owed to MHF.

Fair Value Measurements

MHF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Funds have the following recurring fair value measurements as of June 30, 2022:

- Pooled cash maintained by the State Treasurer of $88,643,905 (Level 1).
- Investments held for Borrower, consisting of a U.S. government treasury zero-coupon bond of $2,459,425 carried at fair value based on quoted market prices (Level 1).

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (continued)

The Funds have the following recurring fair value measurements as of June 30, 2021:

- Pooled cash maintained by the State Treasurer of $87,524,422 (Level 1).
- Investments held for Borrower, consisting of a U.S. government treasury zero-coupon bond of $2,551,153 carried at fair value based on quoted market prices (Level 1).

NOTE 4 LOANS AND INTEREST RECEIVABLE, NET OF ALLOWANCE FOR LOANS AND RELATED LOSSES

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses. Based on Management's assessment, MHF has reviewed these loans and determined that collection is unlikely given the financial situation of the borrowers. A full allowance has been recorded. Mortgage loans, notes receivable, and interest receivable were as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Multi-Family	$ 7,413,074	$ 7,448,243
Single-Family	178,490	178,490
Other	9,692	10,606
Interest Receivable on Loans	13,114,786	12,593,097
Total	20,716,042	20,230,436
Allowance for Possible Losses on Multi-Family Loans	(7,413,074)	(7,448,243)
Allowance for Possible Losses on Single-Family Loans	(178,490)	(176,794)
Allowance for Possible Losses on Other	(9,692)	(12,302)
Allowance for Possible Losses on Interest Receivable	(13,114,786)	(12,593,097)
Total Allowance for Possible Losses	(20,716,042)	(20,230,436)
Loans and Interest Receivable, Net of Allowance for Loans and Related Losses	$ -	$ -

Changes in the allowance for possible losses on loans and interest receivable were as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Balance - Beginning of Year	$ 20,230,436	$ 19,743,067
Increase in Provision	485,606	487,369
Balance - End of Year	$ 20,716,042	$ 20,230,436

NOTE 5 UNEARNED PREMIUMS

The unearned premiums for the unexpired terms of all policies in force or written as of June 30, 2022 and 2021, and the changes for the years then ended were as follows:

	2022			
	Unearned Premiums at Beginning of Year	Premiums Written	Premiums Earned	Unearned Premiums at End of Year
Multi-Family Programs:				
Construction and Permanent Mortgages	$ 322,238	$ 736,497	$ 646,741	$ 411,994
SHOP Loans	19,463	20,043	28,047	11,459
Total Multi-Family Programs	341,701	756,540	674,788	423,453
Single Family Programs:				
Single Family Regular:				
Primary	51,458	68,015	79,693	39,780
Business Programs:	-	-	-	-
Total - Year Ended June 30, 2021	$ 393,159	$ 824,555	$ 754,481	$ 463,233

	2021			
	Unearned Premiums at Beginning of Year	Premiums Written	Premiums Earned	Unearned Premiums at End of Year
Multi-Family Programs:				
Construction and Permanent Mortgages	$ 304,092	$ 570,098	$ 551,952	$ 322,238
SHOP Loans	20,754	32,495	33,786	19,463
Total Multi-Family Programs	324,846	602,593	585,738	341,701
Single-Family Programs:				
Single-Family Regular:				
Primary	59,624	86,675	94,841	51,458
Business Programs:	-	-	-	-
Total - Year Ended June 30, 2020	$ 384,470	$ 689,268	$ 680,579	$ 393,159

NOTE 6 NONCURRENT OBLIGATIONS

Changes in noncurrent obligations for the years ended June 30, 2022 and 2021 were as follows:

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Compensated Absences	$ 103,044	$ -	$ (1,339)	$ 101,705	$ 40,532
Workers' Compensation	2,000	-	-	2,000	300
Investment Held for Borrower	2,817,699	-	(163,446)	2,654,253	194,828
Allowance for Unpaid Insurance Losses	9,401,772	119,693	-	9,521,465	83,993
Total - Year Ended June 30, 2021	$ 12,324,515	$ 119,693	$ (164,785)	$ 12,279,423	$ 319,653

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Compensated Absences	$ 81,377	$ 21,667	$ -	$ 103,044	$ 28,506
Workers' Compensation	24,000	-	(22,000)	2,000	300
Investment Held for Borrower	2,819,100	-	(1,401)	2,817,699	266,546
Allowance for Unpaid Insurance Losses	9,677,829	-	(276,057)	9,401,772	105,498
Total - Year Ended June 30, 2020	$ 12,602,306	$ 21,667	$ (299,458)	$ 12,324,515	$ 400,850

NOTE 7 ALLOWANCE FOR UNPAID INSURANCE LOSSES

The allowance for unpaid insurance losses is the estimated claims settlement on notices of default that has been received by MHF, as well as loan defaults that have been incurred but have not been reported by the lenders. Although current accounting guidance specifically excludes mortgage guaranty insurance from its guidance relating to the reserves for losses, MHF establishes loss reserves using the general principles contained in the insurance standard.

For insured Multi-Family program properties, MHF establishes loss reserves on a case-by-case basis when insured loans are identified as currently in default based on MHF’s expected claim payment, net of estimated recovery. At June 30, 2022, MHF had no Multi-Family loans in default. As a result, MHF provides only limited loss reserves on the Multi-Family portfolio.

NOTE 7 ALLOWANCE FOR UNPAID INSURANCE LOSSES (CONTINUED)

For insured Single Family loans, MHF establishes its loss reserves based on past loss experiences and the current real estate market. MHF also reserves for defaults that have been incurred but have not been reported prior to the close of an accounting period, using estimated claim rates and claim sizes for the estimated number of defaults not reported. For Single Family program properties, insured loans which have gone through foreclosure and MHF has not paid a claim, MHF also reserves for losses based on past loss experiences and the current real estate market.

MHF's reserve process is based upon the assumptions of past experience, including the current real estate market and housing values in the locations where MHF has experienced high claim rates. Therefore, the reserves are necessarily based on estimates and the ultimate liability may vary from such estimates. Management regularly reviews the evaluation of the loss reserves utilizing current information and updates the assumptions in the estimation process accordingly. Any resulting adjustments are reflected in the current period's earnings as either a provision for losses or reduction in losses. Management believes that the allowance for unpaid insurance losses at June 30, 2022 was appropriately established on an aggregate basis and was adequate to cover the ultimate net cost of settling reported and unreported claims.

Changes in allowance for unpaid insurance losses were as follows:

	Multi-Family	Single-Family	Business	Total
Balance - June 30, 2020	$ 7,909,105	$ 1,768,724	$ -	$ 9,677,829
			-	
Increase (Decrease) in Provision	(168,716)	(107,341)	-	(276,057)
Balance - June 30, 2021	7,740,389	1,661,383	-	9,401,772
Increase (Decrease) in Provision	875,639	(755,946)	-	119,693
Balance - June 30, 2022	$ 8,616,028	$ 905,437	$ -	$ 9,521,465

NOTE 8 CHANGES IN NET POSITION

Changes in restricted and unrestricted net position were as follows:

	Restricted Net Position							
	Multi-Family Reserve	Single Family Regular Reserve	Revitalization (Pilot) Reserve	Small Business Reserve	General Reserve	Unallocated Reserve	Unrestricted Accumulated Deficit	Total
Balance - June 30, 2020	$ 44,698,739	$ 14,019,066	$ 2,185,258	$ 5,000,000	$ 8,593,422	$ 10,152,454	$ (7,345,721)	$ 77,303,218
								-
Interest Income Allocated at the Discretion of DHCD Secretary	-	-	-	-	-	260,768	(260,768)	-
								-
								-
Transfers In/(Out)	-	-	-	5,000,000	-	(5,152,454)	-	(152,454)
								-
Change in Net Position	-	(184,567)	-	-	-	-	949,663	765,096
Balance - June 30, 2021	44,698,739	13,834,499	2,185,258	10,000,000	8,593,422	5,260,768	(6,656,826)	77,915,860
Interest Income Allocated at the Discretion of DHCD Secretary	-	-	-	-	-	375,421	(375,421)	-
								-
								-
Transfers In/(Out)	-	-	-	-	-	-	-	-
								-
Change in Net Position		(12,929)	-	-	-	-	707,468	694,539
Balance - June 30, 2022	$ 44,698,739	$ 13,821,570	$ 2,185,258	$ 10,000,000	$ 8,593,422	$ 5,636,189	$ (6,324,779)	$ 78,610,399

NOTE 9 COMMITMENTS AND CONTINGENCIES

Multi-Family Mortgages

MHF insured mortgage loans as of June 30, 2022, net of partial claim payments, were as follows:

	Number	Current Balance
CDA Construction and Permanent Mortgages	75	$ 450,926,509
Loans Financed by the Housing Opportunities Commission of Montgomery County	-	-
CDA SHOP Loans	125	10,601,047
Total	200	$ 461,527,556

As of June 30, 2022, MHF had commitments of $21,960,618 which had not yet been drawn.

Single-Family Mortgages

All loans insured by MHF are with approved lenders and are collateralized by a first or second lien against the improved property, which must be located in the state of Maryland. The details of insured loans and commitments to insure loans as of June 30, 2022, were as follows:

	Insured Mortgages			
	Number	Original Amount	Current Amount	Contingent Liability
Primary Insurance Coverage				
Single Family Regular				
25% Insured	479	$ 27,260,836	$ 5,202,787	$ 1,300,697
35% Insured	58	11,401,835	9,375,293	3,281,353
Revitalization (Pilot) Program				
100% Insured	-	-	-	-
2.5% Insured	162	22,475,569	20,286,539	507,163
General				
35% Insured	11	2,765,002	2,310,755	808,764
Total	710	$ 63,903,242	$ 37,175,374	$ 5,897,977

As of June 30, 2022, MHF had no unfunded commitments under the Revitalization Reserve or Healthy Neighborhood Program.

Effective August 1, 2010, MHF was released from any obligation to provide pool insurance for loans originated prior to 2005.

NOTE 10 PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of the state of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. MHF's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by MHF to the state of Maryland prior to year-end. The liability for the employees is recorded by the general fund of the state of Maryland and is not allocated to MHF. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.maryland.gov.

NOTE 11 RELATED PARTY TRANSACTIONS

MHF engages in certain transactions with related parties, specifically other units within DHCD. Premium and fee income generated from insured loans with CDA represent approximately 99% of the total premium and fee income reported during each of the fiscal years ending June 30, 2022 and 2021. Additionally, MHF pays certain post-foreclosure expenses for both CDA and DHCD's State Funded Loan Program to achieve a cost savings to the Agency as a whole. As these expenses are not expenses related to the operations of MHF, they are recorded on the balance sheet as Due From Other Funds, affecting only cash and receivables. These expenses are subsequently reimbursed to MHF by the responsible unit, and the outstanding receivable is cleared.