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News Release

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FOR IMMEDIATE RELEASE

State HFAs Praise the Administration for Supporting Their Efforts to Make Homes Affordable

The National Council of State Housing Agencies (NCSHA) applauds the Administration for its initiative, announced today, to bolster state Housing Finance Agencies (HFAs) and their efforts to stimulate first-time home buying, help distressed homeowners, and provide affordable rental homes. The initiative is part of President Obama's *Making Home Affordable* program.

"The Administration clearly appreciates the vital role state HFAs play in serving the first-time homebuyer and the renter in need of quality affordable housing. It recognizes that HFAs have consistently achieved over many decades affordable and sustainable housing outcomes by combining public purpose and accountability with sophisticated finance and sound underwriting skills," said Susan Dewey, president of NCSHA and executive director of the Virginia Housing Development Authority. "HFAs have a proven record of making prudent lending decisions, and now with the arrival of the Administration's initiative, we can do so much more to support the housing recovery."

The Administration's two-point plan is designed to help state HFAs expand their affordable lending efforts and strengthen their financial standing by overcoming obstacles to both created by the financial crisis. It provides for:

- A temporary Housing Bond purchase program, through housing Government-Sponsored Enterprises Fannie Mae and Freddie Mac, to fund home loans and finance rental production at affordable rates; and

- A temporary liquidity facility for outstanding HFA Variable Rate Debt (VRD) to strengthen HFA lending capacity.

"We thank the Administration for recognizing state HFAs as strong partners that could be making a significantly greater contribution to the housing and economic recovery if we could put our resources fully to work," said Dewey. "The Administration has now cleared the way for HFAs to finance tens of thousands of affordable homes for America's working families, while generating jobs and tax revenue in support of the economy."

NCSHA called on the Administration and Congress to enlist state HFAs in their housing recovery efforts by alleviating constraints on HFA lending. "It took the President's commitment and the leadership of Treasury Secretary Geithner, HUD Secretary Donovan, and White House Economic Advisor Summers to make this happen. They understood that state HFAs did not contribute to the housing crisis and could be a big part of the solution with some federal help," said Barbara Thompson, NCSHA's executive director. "We also want to acknowledge the Federal Housing Finance Agency, Fannie Mae, and Freddie Mac, which contributed significantly to the plan's development.

Thompson added, "We are also grateful to House Financial Services Committee Chairman Frank (D-MA) and Senate Banking Committee Chairman Dodd (D-CT), who encouraged the Administration's efforts, along with several other members of Congress."

Last year, Congress provided states $11 billion in new tax-exempt Housing Bond authority under the Housing and Economic Recovery Act, to remain available through 2010, to help stimulate the housing market. With that added authority, HFAs were on track to finance 100,000 affordable homes in addition to the 170,000 they produce annually with their regular Housing Bond allocation, but their efforts were derailed by the financial crisis.

For many months, state HFAs have been virtually frozen out of the Housing Bond market, struggling to find investors willing to buy their long-term, fixed-rate bonds at rates that allow HFAs to lend the proceeds affordably. Most HFAs have managed to keep their mortgage programs operating but at sharply reduced production levels and higher costs. Some have suspended lending altogether. Meanwhile, HFAs report that they could issue more than $30 billion in Housing Bonds over the next two years in response to growing demand among first-time homebuyers looking to take advantage of lower house prices and plentiful housing stock.

The lending and financial capacity of state HFAs that issued VRD to enable them to offer lower mortgage rates in recent years has been even further strained. These HFAs have been hard pressed to remarket this debt, as the institutions they have relied upon in the past to remarket it and serve as buyers of last resort have left the market, been significantly downgraded, or are imposing unreasonable terms and excessive rates.

Through issuing tax-exempt single-family Housing Bonds or, as they are more commonly known, Mortgage Revenue Bonds (MRBs), state HFAs have made 2.8 million families homeowners, adding another 120,000 families each year. HFAs have financed 1 million affordable rental homes with multifamily Housing Bonds, adding about 50,000 more each year.

State HFA MRB loan performance is strong, with delinquency and foreclosure rates well below the conventional market. HFAs combine flexible yet prudent underwriting with down payment assistance and homeownership counseling to reach homebuyers that cannot access homeownership with conventional loans. HFAs did not engage in subprime lending, offering largely fixed-rate, 30-year loan products.

NCSHA is a national nonprofit, nonpartisan association that represents the affordable housing interests of state HFAs before the Administration and Congress. Its members are the HFAs of the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands and 350 of their affordable housing partners.

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