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## **ADMINISTRATION ANNOUNCES INITIATIVE FOR STATE AND LOCAL HOUSING FINANCE AGENCIES**

*Programs Designed to Expand Resources for Working Families to Access Affordable Rental Housing and Home Ownership over Long Term at Little or No Expected Cost to the Taxpayer*

**WASHINGTON** – As part of its comprehensive plan to stabilize the U.S. housing market, the Obama Administration today announced a new initiative for state and local housing finance agencies (HFAs) that will help support low mortgage rates and expand resources for low and middle income borrowers to purchase or rent homes that are affordable over the long term. Following up on the intent to support HFAs first outlined in February under the Homeowner Affordability and Stability Plan, the Administration’s initiative has two parts: a new bond purchase program to support new lending by HFAs and a temporary credit and liquidity program to improve the access of HFAs to liquidity for outstanding HFA bonds.

The HFA Initiative using authority provided to Treasury by the Housing and Economic Recovery Act of 2008 (HERA) will provide hundreds of thousands of affordable mortgages for working families and enable the development and rehabilitation of tens of thousands of affordable rental properties. It will do this at little or no cost to the taxpayer because it is paid for by the HFAs themselves and, as a temporary program, it incentivizes HFAs to transition back to market sources of capital as quickly as possible.

“This initiative is critical to helping working families maintain access to affordable rental housing and homeownership in tough economic times,” said Treasury Secretary Tim Geithner. “Through the years, many low and moderate income Americans have been well served by state and local HFAs, but the housing downturn has hit these organizations too. Through this initiative, the Administration aims to help HFAs jumpstart new lending to borrowers who might not otherwise be served and to better support the financing costs of their current programs – key components in stabilizing the housing market overall.”

"Housing Finance Agencies are critical partners to helping American families through this tough economic time," Department of Housing and Urban Development (HUD) Secretary Shaun Donovan

said. "Today's announcement makes clear this Administration's commitment to providing responsible homeownership opportunities, affordable rental homes and getting our housing market back on track."

"FHFA supports this initiative and the important role Fannie Mae and Freddie Mac will play in implementing it," said Federal Housing Finance Agency (FHFA) Acting Director Edward J. DeMarco. "The HFA program has been structured to be on commercially reasonable terms for the Enterprises, to be carried out by the Enterprises in a safe and sound manner, and to support market liquidity, stability, and affordable housing. I wish to thank FHFA, HUD, Enterprise and Treasury staff for their hard work and leadership in developing this program."

The Department of the Treasury and HUD, together with the FHFA, Fannie Mae, and Freddie Mac, have developed this initiative to maintain the viability of HFA lending programs and infrastructure. The key parts of the new initiative are:

- New Issue Bond Program (NIBP). The NIBP will provide temporary financing for HFAs to issue new mortgage revenue bonds. Using authority under the Housing and Economic Recovery Act of 2008 (HERA), Treasury will purchase securities of Fannie Mae and Freddie Mac backed by these new mortgage revenue bonds. The program can support several hundred thousand new mortgages to first-time homebuyers this coming year, as well as refinancing opportunities to put at-risk but responsible and performing borrowers into more sustainable mortgages. The new bond issuance will also support development of tens of thousands of new rental housing units for working families.
- Temporary Credit and Liquidity Program (TCLP). Fannie Mae and Freddie Mac will provide replacement credit and liquidity facilities available to HFAs that will help reduce the costs of maintaining existing financing for the HFAs. The agreements will serve to help relieve financial strains experienced by HFAs and enable them to continue their important work. Treasury will backstop the GSE replacement credit and liquidity facilities for the HFAs by purchasing an interest in them using HERA authority.

HFAs will pay a fee to have access to both programs under the HFA Initiative. These fees have been designed to cover expected costs to the Treasury Department and the taxpayer. The fee for the TCLP will also increase over time to encourage HFAs to find private alternatives as quickly as possible. The HFA Initiative has also been designed to include other features that minimize risk to the taxpayer, such as requiring HFAs that issue new bonds under this program to also prove their ability to issue bonds to private investors.

The initiative is designed to be temporary in nature and will be available for only a short window to help bridge the transition period as the HFAs resume their activities after experiencing a number of challenges in the course of the housing downturn. After today, each HFA that desires to participate will be asked to develop a program participation request in consultation with Treasury, Fannie Mae, and Freddie Mac, indicating its desired level of participation in either the new bond or liquidity program. These requests for new issuance should generally not exceed what the HFA would have received in allocation from Congress for a similar period through 2010 and will generally follow the allocation formula established for 2008 by HERA. If program demand is smaller than these guidelines would allow, the total program size will be capped at a lower amount. This bottom-up

review is being used to prudently shepherd taxpayer resources, and the program will not be sized any larger than needed to meet specific demand.

Pricing under the program will reflect both the cost of any financing required by Treasury as well as a fee designed to cover any risk posed by the HFA. While there is risk that losses could exceed estimates, the fee schedule Treasury has adopted is designed to cover net losses under most stressed conditions and thus would minimize risk to the taxpayer.

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## **WHAT STATE AND LOCAL OFFICIALS ARE SAYING ABOUT THE INITIATIVE**

"I am so pleased that the Treasury Department has responded to calls for assistance from Governors and Housing Finance Agencies across the country. This initiative is critical to helping struggling Vermonters access affordable and sustainable housing. It is also a welcome investment in the long-term viability of the Vermont Housing Finance Agency (VHFA). My wife Dorothy and I had our first mortgage through VHFA, so we know first-hand what an invaluable resource it is for working Vermonters, especially in a recovering economy." – ***Republican Governor Jim Douglas of Vermont***

"We are pleased that the federal government recognizes the critical role that HFAs play in the housing and economic recovery. HFAs have a proven track record of making prudent loans with sound underwriting standards. However, recent conditions in the capital markets have hindered the ability of HFAs to provide their customary loan products. This proposal allows HFAs to continue offering below-market rate financing to first-time homebuyers, and we are ready and well-positioned to immediately begin implementing these critical programs. In Virginia, this proposal allows VHDA to continue assisting first-time homebuyers, who we believe are the foundation for the housing and economic recovery." - ***Susan Dewey, Executive Director of the Virginia Housing Development Authority and National Council of State Housing Agencies (NCSHA) President***

"This plan will help revive CalHFA lending programs and give California first time homebuyers a chance to take advantage of the highest affordability levels that have been seen in almost two decades." - ***Steve Spears, Acting Executive Director of California Housing Finance Agency***

"This announcement is huge! We truly appreciate the time the Administration committed to learning the HFA business over the last few months. It is clear they understand the importance of our products to both the rental and homeownership markets. We are eager to access these liquidity and bond investment opportunities, as they will allow us to use Colorado's HERA bond cap to create a mortgage refinance program for borrowers who are having trouble with their current mortgages and also to finance rental developments serving low-income families, both of which will contribute to the Colorado's ongoing economic recovery." – ***Roy Alexander, Executive Director of the Colorado Housing and Finance Authority***

"The Administration's Housing Bond purchase plan will allow us to serve thousands of additional families in Florida by offering much lower interest rates on mortgage loans. Combined with our state-funded down payment assistance, qualified first time homebuyers will be able to take advantage of historically low sales prices on homes in Florida. The addition of these new, qualified homebuyers will help reduce the huge inventory of homes that are on the market due to the foreclosure crisis and help to stabilize declining home values throughout the state. The current lack of liquidity in Florida alone jeopardizes the financial integrity of that state's housing Guarantee Fund, putting at risk 94 multifamily rental developments with 24,000 affordable units that have \$740M of bonds outstanding. Over the last 19 months, the lack of liquidity has cost the FHFC Guarantee Fund \$16M in increased bond interest expense. The Administration's plan to provide liquidity will provide significant help by offering a lower cost alternative." - ***Steve Auger, Florida Housing Finance Corporation***

"The National Association of Local Housing Finance Agency (NALHFA) leaders and staff have been working with officials at the Treasury, Federal Housing Finance Agency, Fannie Mae, Freddie Mac and the Department of Housing and Urban Development for many months on the details of the housing bond purchase program and liquidity facility, providing expertise and draft documents. We are pleased that the program being announced today reflects NALHFA's fundamental principle that it accommodate the unique needs of local housing finance agencies (HFAs) across the country, such as delayed delivery of, and a premium bond structure for, single-family bonds. By Treasury's purchase of multifamily bonds local HFAs can respond to the critical need for affordable housing for the nation's renters, while the liquidity facility will provide needed credit support for existing variable rate bonds. Local HFAs have a strong track record in responsibly administering bond-funded ownership and rental housing programs that respond to local needs and are safe investments." - **Patricia Braynon, Executive Director of Miami-Dade County, FL Housing Finance Authority**

"Our HFA's inability to access the tax-exempt and liquidity markets during this last year for home financing capital has undercut a traditional segment of Idaho's home buying market. In a time of significant market stress, the Treasury program will assist in bringing private investors back to this market. This is not a problem we have created - our financial condition remains strong and our borrowers are making their mortgage payments. The Treasury program is a much needed response to the dislocation of capital markets for first-time home buyers that our citizens have relied upon for years." - **Gerald Hunter, President and Executive Director of Idaho Housing and Finance Association**

"We commend the Administration and the Treasury Department. Today's announcement recognizes the needs of low- and moderate-income first time homebuyers and the ability of housing finance agencies (HFAs) to meet those needs. With Treasury's support, we'll be able to issue bonds and get back into the business of providing affordable, fixed rate mortgages to first time homebuyers who are qualified and ready. Our families will now be able to take advantage of historically low interest rates and home prices to stabilize their own households and, ultimately, the national housing market. Treasury's program will also allow us to raise money to finance multi-family housing for low-income families, a market desperately in need of a boost. The program enhances our bond business, and we're thrilled to be able to continue to serve Montgomery County's low and middle income families." - **Annie B. Alston, Executive Director of Housing Opportunities Commission of Montgomery County, MD**

"We've reached that critical economic juncture where it's not enough just to have no bad news. We need more affirmative good news. The Administration has provided that today in this vote of confidence in the nation's HFAs, which provide a vital link to sustainable homeownership opportunity for people throughout the country." - **Thomas R. Gleason, Executive Director of MassHousing**

"We are highly impressed with the leadership shown by our federal partners on this very important initiative. This announcement paves the way for housing finance agencies around the country to help thousands of homebuyers unlock the door to their first home. This financing combined with other local resources will enable us to serve lower-income families who are presently shut-out of the homeownership market. We applaud the federal government's commitment to this much needed boost to the economy. It has been over two years since market conditions permitted local housing finance agencies (HFAs) to be able to access capital for the purpose of providing low-interest

financing for homebuyers. It is our intention to hit the ground running and get resources on the streets for homebuyers to use in the very near future." - **Mark Ulfers, Executive Director of Dakota County, MN Community Development Agency**

"Housing Bond purchase and liquidity support means that we will be able to provide the much needed and highly demanded first-time homebuyer mortgage at a reasonable rate to our borrowers. In addition, this liquidity support gives us the ability to provide rate locks for our multi-family development projects, that, to date have been difficult, if not impossible to provide. This translates directly in the development of more housing for renters as well as providing the opportunity for NJ residents to reach the dream of homeownership, with an affordable, fixed rate, predictable mortgage!" - **Marge Della Vecchia, Executive Director of New Jersey Housing and Mortgage Finance Agency**

"In New York City, the New York City Housing Development Corporation ("HDC") is focused upon developing and preserving affordable multi-family housing. To succeed in this effort, we need robust participation from the financial services industry. During a time of economic volatility, a constrained lending environment has made our task even more challenging. This new initiative helps address some of the serious obstacles we've encountered in our efforts to finance affordable housing developments. As a result, we're deeply appreciative of the efforts of the Department of Treasury, the Federal Housing Finance Agency, Fannie Mae and Freddie Mac as well as the Department of Housing and Urban Development, to structure a program that supports the ability of housing finance agencies (HFAs), state-wide and local, to address the substantial need for affordable single and multi-family mortgage financing. We look forward to working with our federal and state partners across the country on this program that is good for New York City and great for the nation." - **Marc Jahr, President of New York City Housing Development Corporation**

"With the market upheaval, we've been unable to sell new mortgage bonds for a year. Despite all the ingenuity we can muster, we're now helping only about a quarter as many first-time buyers as normal. Treasury's help with liquidity support at this juncture will make a huge difference in our ability to continue to deliver safe, predictable, low cost mortgages to first-time buyers." - **Bob Kucab, Executive Director of the North Carolina Housing Finance Agency**

"The Administration's Plan will restore the economic advantage of tax-exempt financing, which will be passed on to our first-time homebuyers. We will have the ability to help more borrowers and impact the lives of thousands of Ohio families by offering a product that provides flexibility, fits the economic circumstances of our customers, and promotes sustainable homeownership." - **Doug Garver, Executive Director of Ohio Housing Finance Agency**

"We are truly excited about the Treasury plan and partnering with the GSEs to carry it out. This partnership will allow HFAs to provide affordable housing to many more people who need it, while supporting economic recovery. In Pennsylvania, we expect this initiative to allow PHFA to provide the American Dream to approximately 12,000 to 15,000 Pennsylvanians who otherwise could not access the market." - **Brian Hudson, Executive Director of the Pennsylvania Housing Finance Agency**

"HFAs offer more than just extra financial assistance to homebuyers, they bring a commitment that the new homeowner will be able to live in their home for the life of the loan. Market conditions have hindered HFA ability to achieve this mission. The Administration's program will open this

assistance and determination to tens of thousands of Rhode Island families.” - ***Richard Godfrey, Executive Director of Rhode Island Housing***

"In Tennessee, we still have a lot of potential first-time buyers sitting on the fence. If we can get those buyers into the market, and this plan will help us do that, we could jump start our entire housing market. Even with conventional rates as low as they have been, it's still not enough for many working families to achieve sustainable homeownership. This will go a long way towards changing that." - ***Ted Fellman, Executive Director of Tennessee Housing Development Agency***

"While we still need to see many details, the Treasury Department's plan has the potential to get Fannie Mae, Freddie Mac, and the Federal Home Loan Banks back in the game and to help state and local housing finance agencies do what we do best, which is make the dream of homeownership happen for millions of Americans." - ***Michael Gerber, Executive Director of Texas Department of Housing & Community Affairs***

"We are excited by the Treasury Department announcement. The bond purchase program and the liquidity facility are both needed to enable local and state housing finance agencies (HFAs) to continue to provide sustainable homeownership opportunities for American families as well as continuing our role in the financing and development of quality multi-family housing. This program reflects the efforts of NALHFA and others over many months and we are pleased this program addresses the unique needs of local HFAs presented during our discussions.” - ***Jim Shaw, Executive Director of Capital Area Housing Finance Corporation, Austin, TX***

"The Administration's plan to help our agency sell housing bonds will allow our Commission to serve twice as many first-time home buyers next year. This will add another \$100 million to the state's economy and support a significant number of new jobs to help our recovery. It will be a great boost to our programs." - ***Kim Herman, Executive Director of Washington State Housing Finance Commission***

"We are encouraged by the news of a Treasury Announcement. In Wisconsin, WHEDA's contribution to the housing market has been significant. Prior to last year when we suspended lending, WHEDA was lending as much as \$10 million a week to first time homebuyers - homebuyers who were well-prepared, well-educated and who were getting a low interest, fixed rate. In working with WHEDA, many homeowners had access to thousands of dollars of down payment grants and loans. Finally, mortgages from Housing Finance Agencies perform very well. We're proud at WHEDA of a foreclosure rate that's less than one percent." - ***Antonio Riley, Executive Director of Wisconsin Housing and Economic Development Authority***

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