

## Housing Bonds

The Mortgage Revenue Bond (MRB) and tax-exempt multifamily housing bond programs (collectively, Housing Bonds) have provided 4 million lower-income Americans with affordable homeownership and another 1 million with rental housing opportunities. Each year, another 100,000 families buy their first homes with MRB mortgages. HFAs use multifamily tax-exempt housing bonds to finance an additional 30,000 apartments each year.

Housing Bonds finance low-interest mortgages for low- and moderate-income home buyers and the acquisition, construction, and rehabilitation of multifamily housing for low-income renters. Investors purchase Housing Bonds at low interest rates because the income from them is tax-free. The interest savings made possible by the tax exemption is passed on to home buyers and renters in reduced housing costs.

Each state's annual issuance of Housing Bonds and other so-called private activity bonds, including industrial development, redevelopment, and student loan bonds, is capped. In 2000, Congress increased the private activity bond cap by 50 percent and indexed it to inflation. The 2011 cap is \$95 per capita, with a minimum of \$277.8 million in private activity bonding authority allowed each state.

Congress restricts Mortgage Revenue Bond (MRB) mortgages to first-time home buyers who earn no more than the area median income (AMI). Larger families can earn up to 115 percent of AMI. The median income of an MRB borrower in 2009 was approximately \$47,000, compared to the national median income of \$49,777.

Congress limits the price of homes purchased with MRB mortgages to 90 percent of the average area purchase price. The average MRB purchase price in 2009 was \$134,095—only 77 percent of the national median price of \$172,500.

Multifamily housing bond developments must set aside at least 40 percent of their apartments for families with incomes of 60 percent of AMI or less, or 20 percent for families with incomes of 50 percent of AMI or less.

In 2008, Congress provided \$11 billion in additional Housing Bond authority to the states and allowed them to use MRBs for refinancing adjustable rate mortgages originated after December 31, 2001 and before January 1, 2008. The additional bond and refinancing authority expired on December 31, 2010.

In October 2009, the Administration announced its HFA Initiative. The two-point plan was designed to help HFAs expand their affordable lending efforts and strengthen their financial standing by overcoming obstacles to both created by the financial crisis. The plan created the New Issuance Bond Program to fund home loans and finance rental production at affordable rates; and created the Temporary Credit and Liquidity Program to help secure liquidity for existing HFA Variable Rate Debt (VRD) to strengthen HFA lending capacity.

Under the Initiative, the U.S. Department of Treasury facilitated the sale, through Fannie Mae and Freddie Mac, of \$15.3 billion in Housing Bonds from 49 state and more than 50 local HFAs.

The bond proceeds, in combination with the almost \$9 billion in retail housing bonds the Initiative requires HFAs to issue, will allow HFAs to finance more than 200,000 affordable homes.

The Initiative also provided a dozen state HFAs \$8.2 billion in liquidity to support outstanding bond issues, strengthening their financial footing and freeing more of their resources for housing investment.

The President's FY 2012 Budget proposes to eliminate the MRB purchase price limit and allow HFAs to use MRBs to help homeowners refinance existing mortgages.