

**2008 NCSHA Award Nomination – Ohio Housing Finance Agency
Management Innovation – Financial
Successful Bond Structuring in a Difficult Market**

Douglas Garver, Executive Director

Bob Connell, Director of Debt Management

With unprecedented turmoil in the financial markets and few investors willing to buy traditional long-term housing bonds the Ohio Housing Finance Agency (OHFA) was faced with a dilemma. Demand for the First-Time Homebuyer Program was increasing, but the resources to fund the loans were rapidly depleting. The Agency staff had two choices: suspend this critical program that helps thousands of Ohioans every year or push forward by going to market. Suspending the program was not an option from a mission standpoint, so the financial team quickly went to work developing a successful bond structure that could withstand market upheaval.

To increase the likelihood of attracting investors, OHFA issued \$150 million of bonds with a short 10-year maturity of fixed rate bonds. For added flexibility, the variable rate debt was increased to 75 percent of this transaction. In previous bond issues, OHFA limited variable rate debt to no more than 40 percent of the transaction and set a 30-year maturity for the fixed rate bonds. OHFA was able to proceed with this innovative structure due in part to a strong partnership with the Federal Home Loan Bank of Cincinnati. This collaboration allowed for sufficient liquidity to offer such a high percentage of variable rate debt.

Market conditions warranted OHFA's decision to accept the inherent risk in this type of bond structure. This risk was considered manageable given the strength of the Agency's indenture. Increasing the percentage of variable rate debt allowed the program to continue without interruption.

For 25 years, OHFA's First-Time Homebuyer Program has provided assistance to borrowers who otherwise may not have been able to afford quality housing. In 2007, OHFA closed more than 7,900 loans amounting to over \$811 million and expects to surpass those numbers this year. Creating strategic bond structures and working collaboratively have helped "open the doors to an affordable place to call home" for thousands of Ohioans.