



December 20, 2017

Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

RE: Proposed Rule on Public Approval of Tax-Exempt Private Activity Bonds; REG-128841-07

To Whom it May Concern:

On behalf of the state Housing Finance Agencies (HFAs) it represents, the National Council of State Housing Agencies (NCSHA) appreciates the opportunity to comment on the Internal Revenue's Service's (IRS) September 27 proposed rule (REG-128841-07) concerning public approval requirements for tax-exempt Private Activity Bonds (PABs).

NCSHA commends IRS for updating the public approval requirements for PABs to reflect developments that have changed how government entities now communicate with their constituents. We also strongly support the proposal to exempt Qualified Mortgage Bonds and Qualified Veterans' Mortgage Bonds from certain public approval requirements that are inapplicable to such bonds and infeasible for issuers to meet. We urge IRS to quickly finalize these proposals.

HFAs are state-chartered housing agencies that operate in every state, the District of Columbia, New York City, Puerto Rico, and the U.S. Virgin Islands. Though they vary widely in their characteristics, including their relationship to state government, they share a common goal of providing affordable housing help to their constituents who need it.

The sale of tax-exempt private activity Housing Bonds is vital to HFAs' affordable housing activities. HFAs utilize single-family Qualified Mortgage Bonds, commonly referred to as Mortgage Revenue Bonds (MRBs), to help working families purchase their first homes. Through multifamily bonds, HFAs finance the development of affordable rental housing that would otherwise not have been built.

Implement Amended Public Notice Requirements

Under current IRS regulations, issuers of Housing Bonds and other PABs are required to hold public hearings on potential PAB issuances before the issuances can be approved. The issuer

is required to notify the community impacted by the PAB issuance of the public meeting via either newspaper, television, or radio at least 14 days before the public meeting is to take place. The proposed rule would amend this requirement to allow HFAs and other issuers to meet the public notice requirement through electronic sources, as long as such methods comply with applicable state open meeting requirements

NCSHA supports this provision, which would save HFAs and other issuers considerable time and money and align federal rules with current technology and state laws. As mentioned above, issuers would still be required to meet their states' open meeting requirements, ensuring that the public's right to be informed and participate in the approval process would be preserved.

NCSHA requests that IRS also consider reducing the time required between the reasonable public notice and public hearing from 14 days to seven business days, as it initially proposed in 2008. Adopting a shorter public notice period would allow issuers to more optimally structure their issuances to reflect developments in the bond markets, helping them to secure a better price and more efficiently utilize taxpayer resources, while still allowing for robust public input. The proliferation of electronic and online communication allows constituents to access public notices and information about proposed issuances instantaneously, instead of having to wait to learn about them in the print or broadcast media. Consequently, we feel that seven days advance notice is ample time to allow interested members of the public to participate in the approval process.

Adopt Exemptions for Qualified Mortgage Bonds

NCSHA commends IRS for proposing to exempt Qualified Mortgage Bonds, Qualified Veterans' Mortgage Bonds, and several other types of PABs from certain public approval requirements that IRS has long recognized do not apply to such bonds. As noted in the proposed rule, Congress never intended for such requirements to apply to Qualified Mortgage Bonds, and expected IRS and the Treasury to adjust their guidelines to accommodate Qualified Mortgage Bond's unique purpose.

Specifically, the proposed rule would exempt Qualified Mortgage Bonds from the requirement that PAB issuances be approved both by the governmental entity issuing the bond (issuer approval) and a governmental entity with jurisdiction over the location of the facility being financed (host approval). Securing host approval for Qualified Mortgage Bonds is often infeasible because they are used to finance loans for homebuyers in multiple communities and it is generally unknown when such a bond is issued what homeowners it will assist and where they will be located.

In a similar vein, we also strongly support IRS' proposed special rules for MRB issuances that would allow for less specific information to be included for public approval. Currently, PAB issuers are required to submit information pertaining to the type and use of the facility to be financed; the maximum aggregate face amount of the bonds to be issued for the facility; the initial

owner, operator, or manager of the facility; and the location of the facility by street address. This requirement is unworkable for Qualified Mortgage Bonds because most of this information is unavailable when the bond is first issued. In addition, these requirements don't seem to apply to the single-family homes that issuers use Qualified Mortgage Bonds to finance.

Under the proposed rule, HFAs and other issuers would be required to provide the maximum stated principal amount of Qualified Mortgage Bonds to be issued and a general description of the geographic jurisdiction in which the financed residences would be located. We believe this is a reasonable standard that will enable HFAs to operate more efficiently while also keeping the public sufficiently informed.

Thank you for your consideration of our comments. Please do not hesitate to contact me if we can provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman", with a long horizontal flourish extending to the right.

Garth Rieman
Director of Housing Advocacy and Strategic Initiatives