

Extend the FHA-HFA Risk-Sharing Program Federal Financing Bank Option 2024 Talking Points

- The Federal Housing Administration (FHA) – Housing Finance Agency (HFA) Multifamily Loan Risk-Sharing Program and its related Federal Financing Bank (FFB) financing option are vital components of many state HFAs' affordable rental housing efforts.
- Congress created the Risk-Sharing program in 1992 to increase and expedite FHA's multifamily mortgage production. It allows state HFAs that meet rigorous financial standards to underwrite and service FHA multifamily loans in return for sharing the risk of losses on those loans. The program saves the government money, reduces risk to the FHA insurance fund, improves housing affordability, and decreases administrative demands on HUD staff.
- To support more multifamily lending and provide a source of capital for smaller loans, especially in rural areas, the U.S. Departments of Housing and Urban Development and Treasury created a special financing program through which Treasury's Federal Financing Bank purchases HFA Risk-Sharing loans. This reduces the cost of financing and promotes more affordability and faster and easier processing. FFB financing also levels the playing field to provide comparable pricing and capital access to what other FHA loans obtain through Ginnie Mae securitization, which is not available to Risk-Sharing loans.
- The FFB financing option was suspended briefly in 2019 but restarted in 2021 under a temporary arrangement that expires October 1, 2024. The program should be extended permanently as soon as possible to allow HFAs to continue to use it to support the production and preservation of affordable multifamily housing.
- Thirty-seven HFAs participate in the Risk-Sharing program, and 22 HFAs are approved to use FFB financing. HFAs have closed or committed \$4.9 billion in loans to help finance 42,000 units under the FFB program. More HFAs would like to use FFB financing if it is extended.
- FFB financing reduces the cost of financing affordable rental developments, producing savings that can be used to make projects feasible, improve affordability, and reduce risk. With FFB Risk-Sharing, HFAs can produce and preserve thousands more affordable rental homes than they could without it.
- The FFB/Risk-Sharing program is an effective public-private partnership that addresses critical affordable housing needs, results in jobs, and promotes economic development. The public-private partnerships fostered by the Risk-Sharing program epitomize the kind of creative approach to housing finance that is necessary to address the historically high demand for and inadequate supply of affordable rental housing at this time.