

Housing Bond Facility Term Sheet

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<p>What it Provides</p> <p>For Federal Reserve</p> <p>For HFAs</p>	<p>Easy, seamless way to purchase highly rated bonds of state and local housing finance agencies (HFAs), based on the extremely successful \$15 billion Treasury 2009 New Issue Bond Program</p> <p>Allows HFAs to issue new bonds for first-time homebuyers and rental housing at a time when financial markets are dislocated, and Reduces negative spread on outstanding variable rate demand bonds</p>	
<p>Why Needed</p>	<p>Financial market turmoil due to the pandemic has dramatically shrunk the market for purchasers of HFA bonds and resulted in rates far above historical spreads to Treasuries and MBS</p>	
	<p>This makes it very difficult for many HFAs to finance homeownership and rental housing for low and moderate-income households Yet HFAs are on the front lines of Federal moratoria on single-family and multi-family foreclosures</p>	
<p>Facility Design</p>	<ul style="list-style-type: none"> - Simple - Can be used to quickly purchase eligible bonds - Uses existing private market systems - Provides secure and profitable investments for the Federal Reserve - Creates uniformity across the market for all HFAs - Is temporary and allows Federal Reserve to exit purchases when market conditions are restored 	<p>Based on New Issue Bond Program that U.S. Treasury called its most successful housing response to the 2009 financial crisis, financing 110,000 1st time buyers and 40,000 rental units</p>
<p>Features</p>		
<p>Purchaser</p>	<p>Federal Reserve</p>	
	<p>Can be through a special purpose vehicle such as Federal Reserve is creating for other new facilities</p> <p>Can be administered through one of the Federal Reserve banks</p>	<p>Can leverage Federal Reserve investment with Treasury Emergency Stabilization Fund</p>
<p>Issuers</p>	<p>Any state or local HFA</p>	
<p>Eligible Bonds</p>	<p>HFA bonds that are:</p> <ul style="list-style-type: none"> - rated least A by S&P, Moody's or Fitch ('Minimum Rating') - held through DTC 	<p>Same as NIBP</p>
<p>Est. \$ Amount That Could Be Purchased</p>	<p>Approx. \$35 billion of newly issued housing bonds</p>	<p>Based on \$24 billion of new publicly sold housing bonds in 2019</p>

Purchase Period for new bonds	Bonds closed within 12 months, by April 2021	Federal Reserve can extend Facility if still needed
Bond Rate for Fixed Rate Bonds	<p>10 year constant maturity yield plus:</p> <ul style="list-style-type: none"> - 60 bp for bonds rated in highest rating category by at least one of S&P, Moody's or Fitch, or - 75 bp for other bonds that are rated in at least the second highest rating category - 110 bp for bonds rated in 3rd highest category <p>As with New Issue Bond Program, the average of AAA and AA bonds would be about 85% of Ginnie Mae yields (as of March 25) so that HFAs can offer financing on competitive terms</p>	<p>Same spreads as NIBP</p> <p>Assures positive, risk-adjusted return to Federal Reserve</p>
Maximum maturity	<p>32 years for single-family bonds</p> <p>42 years for multi-family bonds</p>	Same as NIBP
Tax Status of bonds	May be either federally tax-exempt or taxable (since no difference in effective cost to Federal Reserve)	Some housing bonds are issued taxably to leverage private activity bond volume cap
Market Bonds	An HFA can sell a portion of the issue as market bonds (typically for shorter maturities)	Leverages Federal Reserve investment. Enables maximum use of the private market
Par and Premium Bonds	<p>All variable rate demand bonds and fixed rate multi-family bonds are at par</p> <p>Single-family bonds can be either sold by HFA:</p> <ul style="list-style-type: none"> - at par or - at up to 3 points premium, with yield based on assumed 150% PSA prepayment speed, to provide downpayment assistance 	Funds downpayment assistance, while maintaining yield to Fed
Bond Redemption	<p>Par bonds can be redeemed at any time at par</p> <p>Premium bonds can be redeemed from single-family prepayments at par or after 9 years at par</p>	
Other Features	<p>Useable with any indenture meeting minimum rating</p> <p>Multi-family loans can close within 180 days after bonds</p>	Simplifies NIBP
Maximum Amount of New Bond Sales by an HFA		
Process	HFAs submit a requested Commitment Amount to Federal Reserve bank	
- Max. Requested Amount	<p>Based on</p> <ul style="list-style-type: none"> - HFA's 2019 bond issuance amount, plus - 2019 production not financed with housing bonds but would have been eligible under HBF, plus - outstanding loan commitments/reservations for next 120 days 	

- Commitment Fee	.05 of 1% of request up to \$50 mill. .025 of 1% of amount above \$50 mill.	Half of NIBP fees since no initial bond escrow. Assures HFA is serious
- Purpose	Enables Federal Reserve to estimate potential bond purchases	
Issuance of New Bonds		
Issuer Notice	Between 60 to 15 days prior to closing: Notify GSE's of principal amount and rate lock-in date	Same as NIBP
Lock-in date	At least 15 days prior to closing Execute bond purchase agreement	Same as NIBP
Deliver O.S.	Within 5 days of bond purchase agreement	Same as NIBP
Closing date	Purchase of bonds	Same as NIBP

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