## Housing Bond Facility Term Sheet

<table>
<thead>
<tr>
<th>What it Provides</th>
<th>For Federal Reserve</th>
<th>For HFAs</th>
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<td>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</td>
<td>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</td>
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<th>Why Needed</th>
<th>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</th>
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| Facility Design | - 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 | 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 |

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<td>Purchaser</td>
<td>Federal Reserve</td>
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| Can be through a special purpose vehicle such as Federal Reserve is creating for other new facilities Can be administered through one of the Federal Reserve banks | Can leverage Federal Reserve investment with Treasury Emergency Stabilization Fund |

| Issuers | Any state or local HFA |

| Eligible Bonds | HFA bonds that are:  
- rated least A by S&P, Moody’s or Fitch (‘Minimum Rating’)  
- held through DTC | Same as NIBP |

<p>| Est. $ Amount That Could Be Purchased | Approx. $35 billion of newly issued housing bonds | Based on $24 billion of new publicly sold housing bonds in 2019 |</p>
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<th>Purchase Period for new bonds</th>
<th>Bonds closed within 12 months, by April 2021</th>
<th>Federal Reserve can extend Facility if still needed</th>
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| Bond Rate for Fixed Rate Bonds | 10 year constant maturity yield plus:  
  - 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  
  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 | Same spreads as NIBP  
  Assures positive, risk-adjusted return to Federal Reserve |
| Maximum maturity | 32 years for single-family bonds  
  42 years for multi-family bonds | 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 taxable 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 | All variable rate demand bonds and fixed rate multi-family bonds are at par  
  Single-family bonds can be either sold by HFA:  
  - 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 | Par bonds can be redeemed at any time at par  
  Premium bonds can be redeemed from single-family  
  prepayments at par or after 9 years at par |  |
| Other Features | Useable with any indenture meeting minimum rating  
  Multi-family loans can close within 180 days after bonds | 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 | Based on  
  - 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 |
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<td><strong>Purpose</strong></td>
<td>Enables Federal Reserve to estimate potential bond purchases</td>
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### Issuance of New Bonds

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<tr>
<th><strong>Issuer Notice</strong></th>
<th>Between 60 to 15 days prior to closing: Notify GSE’s of principal amount and rate lock-in date</th>
<th>Same as NIBP</th>
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| **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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