HFAs AT THE CENTER OF THE AFFORDABLE HOUSING SYSTEM

NCSHA

STATE HFAs ARE AT THE CENTER OF THE AFFORDABLE HOUSING SYSTEM

For decades, state housing finance agencies (HFAs) have operated at the center of America's affordable housing system.

Each state created its HFA to meet its specific housing needs as they change over time and to do so in an efficient and accountable manner.

State HFAs don't rely on the taxpayers to fund their operations: They put their own balance sheets and financial tools to work to meet the housing needs of their states' rural, suburban, and urban communities.

State HFAs have delivered nearly $500 billion in financing to make possible the purchase, development, and rehabilitation of more than 7.5 million affordable homes and rental apartments for low- and middle-income households.

2018 State HFA Impact

HOMEOWNERSHIP

Financing:
$27,595,065,030

Households:
156,612

RENTAL HOUSING

Financing:
$9,486,900,338

Households:
145,728

State HFAs are also indispensable partners of the federal government in meeting national housing challenges — working with both parties and any administration with the same practical, results-based approach.

Federal policymakers have several important opportunities to make progress on the nation's worsening housing affordability challenges by leveraging the capacity and expertise of state HFAs.

This report describes how.

STATE HFAs ARE MEETING THE NATION'S HOUSING AFFORDABILITY CHALLENGES

State HFAs provide billions of dollars each year in financing for affordable homeownership and rental housing. Working in every state in the country, the agencies are:

Expanding Much-Needed Affordable Homeownership Opportunities

Even as the national homeownership rate has risen slightly after a long fall, the American Dream remains elusive for growing numbers of younger households, working families, and people of color.

State HFAs provided more than $27 billion in loan financing to help more than 155,000 households become homeowners in 2018, with nearly one third of these loans helping minority buyers. The median state HFA-assisted homeowner's income was $57,039 and their average home price was $179,703, well below the national median.

A 2018 study found that state HFA loans were much less likely to experience defaults or foreclosures than loans from other sources to similar borrowers.[i]

Meeting Urgent Rental Housing Needs

Roughly 11 million households pay more than half their incomes for rent, and the nation has lost nearly 3 million low-cost rental units in the past 20 years.[ii] More than 17 million eligible households in need of rental assistance don't receive any.[iii]

State HFAs provided nearly $9.5 billion in financing to create and preserve more than 145,000 affordable rental apartments in 2018.

The median vacancy rate for state HFA-financed multifamily properties was 50 percent lower than the rate for all apartments, and less than one percent of state HFA multifamily loans were delinquent more than 60 days, real estate-owned properties, or in workout.[iv]

Innovating New Solutions to Meet New Housing Challenges

State HFA capacity and creativity have made them the "go-to" partners for solving some of the toughest, fastest-moving federal and state affordable housing challenges.

The agencies played a major role in stabilizing the housing market after the crash that led to the Great Recession, helping to stabilize property values and restore troubled neighborhoods.

Today, state HFAs are on the front lines of the states' responses to natural disasters, the opioid crisis, and ending veteran homelessness. They are leading efforts to increase minority homeownership, help families move to opportunity, and strengthen neglected communities.

Nearly 8 in 10 Housing Credit renters earn 50% or less of their area's median income.

Source: HUD Housing Credit Tenant Study, released 2018

STATE HFAs DELIVER VALUE FOR THEIR STATES AND THE NATION

In addition to acting as their states' engines for affordable housing financing, state HFAs are:

Generating Fiscal and Economic Benefits for Their States

State HFA financing and programs are major drivers of economic activity in their states — generating jobs, wages, and local revenue.

The agencies' financing of newly constructed affordable homes alone generated more than 260,000 jobs; more than $18.2 billion in wages; and $4.6 billion in local revenues on a one-time and annually recurring basis combined in 2018.[v]

State HFAs also attract new capital investments to their states by issuing billions of dollars in bonds and securities every year. And they invest their earnings in programs to support the neediest residents of their states.

Administering Key Federal Programs for the Neediest

State HFAs' capacity and performance have earned the agencies the primary responsibility for delivering an array of federal housing programs in their respective states.

HFAs in 48 states (plus the Virgin Islands and Puerto Rico) administer the federal Low Income Housing Tax Credit. In addition:

- 38 state HFAs administer their states' annual allocation of federal HOME Investment Partnerships program funds
- 41 state HFAs administer various forms of federal rental assistance
- 39 state HFAs administer the federal Housing Trust Fund in their states

Delivering Value and Efficiency for Taxpayers

State HFAs have an established track record in administering public programs, often generating substantial savings for taxpayers.

State HFAs' ability to share the risk with HUD on multifamily mortgage loans has reduced red tape, generated revenue for HUD, and provided financing that would not otherwise be available.

State HFAs have also cut waste in the HUD Section 8 housing assistance program, ensured that properties remain in strong physical and financial conditions, and promoted increased owner and manager compliance with HUD policies and procedures.

Impact of HFA-Financed Construction in 2018

Local Wages Generated: $18,237,063,000

Local Revenue Generated: $4,624,192,820

Local Jobs Created: 260,339

Note: Combines 2018 impact plus annually recurring impacts.

STATE HFAs CAN DO EVEN MORE WITH SMART FEDERAL POLICIES

We call on Congress and the Administration to:

Expand and Strengthen the Housing Credit

Members of Congress should sponsor the bipartisan Affordable Housing Credit Improvement Act — H.R. 3077 in the House and S. 1703 in the Senate — to increase and improve the most effective federal incentive for affordable apartment development and preservation.

Strengthen Housing Bonds

Members of Congress should support low-cost, common-sense improvements to Housing Bonds that would generate more sustainable mortgages to first-time home buyers and more financing for affordable apartments.

Ensure Access and Affordability Through Fannie Mae and Freddie Mac

The Federal Housing Finance Agency, Fannie and Freddie's regulator, should retain and expand policies that encourage the companies to serve low- and moderate-income households, especially families of color and first-time home buyers. Congress should ensure that Fannie and Freddie fulfill their statutory affordable housing responsibilities.

Invest in Proven Programs That Serve the Neediest

Congress should adequately fund the HOME program, Section 8 rental assistance, the Housing Trust Fund, and key rural housing programs so states can reach the most underserved households and communities.

Ensure the Optimal Management of Rental Housing Assistance

Congress and HUD should continue to rely primarily on state HFAs to administer Project-Based Rental Assistance Contracts on behalf of the federal government. Congress should reject any efforts by HUD to make short-sighted changes that would put affordable housing properties and their residents at risk through a financial race to the bottom.

For more information on NCSHA's requests of Congress, visit ncsha.org.

ABOUT THE NATIONAL COUNCIL OF STATE HOUSING AGENCIES

For more than 50 years, state housing finance agencies (HFAs) have played a central role in the nation's affordable housing system, delivering financing to make possible the purchase, development, and rehabilitation of affordable homes and rental apartments for low- and middle-income households.

The National Council of State Housing Agencies (NCSHA) is a nonprofit, nonpartisan organization created to advance, through advocacy and education, the efforts of the nation's state HFAs and their partners to provide affordable housing to those who need it.

NCSHA's vision: An affordably housed nation.

NCSHA

National Council of State Housing Agencies
444 North Capitol Street NW, Suite 438
Washington, DC 20001

202-624-7710
info@ncsha.org
ncsha.org

i Moulton, Record, and Hembre, "Low Income Homeownership and the Role of State Subsidies: A Comparative Analysis of Mortgage Outcomes," 2018.

ii Harvard University Joint Center for Housing Studies, "America's Rental Housing," 2018.

iii Center on Budget and Policy Priorities, "Three Out of Four Low-Income At-Risk Renters Do Not Receive Federal Rental Assistance," 2017.

iv Moody's Investors Service, "Medians – Continued growth and stability from multifamily loan programs," 2018.

v Data from NCSHA and methodology from the National Association of Home Builders, "The Local Impact of Homebuilding."