



April 7, 2020

The Honorable Mitch McConnell
Majority Leader
U.S. Senate

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives

The Honorable Charles Schumer
Minority Leader
U.S. Senate

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives

Dear Leader McConnell, Speaker Pelosi, Leader Schumer, and Leader McCarthy:

On behalf of the nation's state housing finance agencies (HFAs), the National Council of State Housing Finance Agencies thanks you for your swift bipartisan action to help our country respond to some of the most urgent health and economic challenges caused by the COVID-19 crisis.ⁱ

In particular, we commend you for including in the CARES Act mortgage and rent forbearance policies for those affected by the crisis; authority for the Federal Reserve to directly support municipal bond issuance (including tax-exempt housing bonds); and appropriations for emergency housing needs. The CARES Act's provisions in these areas will do much good in the days and weeks ahead. They are an important first step.

More is needed in each area, however, to protect the housing market and meet the housing needs of low- and middle-income Americans amidst worsening economic dislocation. Specifically, we urge you to:

Direct the Federal Reserve, Treasury, and the U.S. Department of Housing and Urban Development, through Ginnie Mae, to ensure liquidity for the mortgage servicing system. The mass mortgage and rent forbearance policies in the CARES Act are a necessary lifeline for many Americans whose lives have been or soon will be turned upside down by the pandemic.

State HFAs and other entities that service single-family and multifamily housing loans received no such relief. They are now responsible for meeting significant near-term, and over time increasing, financial commitments they had no reason or ability to anticipate. Failure to address this issue now will lead to serious problems in the housing finance system soon and substantial harm to consumers over time.

Senate Banking Committee Chairman Crapo and House Financial Services Committee Chairwoman Waters have each spoken recently about the importance of addressing this issue. Leading consumer and financial services groups, including NCSHA, have done the same, most recently in a joint statement issued April 4. NCSHA, working with other groups, has developed a detailed proposal to use existing CARES Act authorities to address single-family and multifamily servicing liquidity needs in an equitable and efficient manner. We have also provided specific recommendations to Ginnie Mae that it can take with its own authorities to further address the problems.

Press the Federal Reserve and Treasury Department to expedite implementation of CARES Act authority to strengthen state and local bond issuance, with a specific focus on tax-exempt affordable housing bonds. Actions by the Fed prior to the CARES Act and Section 4003(b)(4) of the law, in particular, have brought much-needed stability to the municipal bond market, which in mid-March experienced sell-offs that were “worse for the market than the aftermath of September 11 and the 2008 financial crisis combined,” according to The Bond Buyer.ⁱⁱ But additional action is needed to address the housing bond market.

It is critical for the Fed to move quickly to use CARES Act authority to further strengthen tax-exempt affordable housing bonds, which are issued in every state and many cities and are the primary means for financing homeownership and rental housing opportunities for low- and moderate-income households. While state HFA housing bonds are highly rated — none has ever defaulted — continuing capital markets turmoil threatens to reduce their effectiveness precisely when they are needed most.

NCSHA has developed a proposal for Treasury-Fed action to address this challenge, using existing authorities and based on a highly successful initiative created during the financial crisis.

Provide funding for current and expected housing needs. As discussions continue on a potential next stimulus bill, we urge you to include funding for the states to meet critical housing needs. We strongly support the “Housing Assistance Fund” sponsored by Representative Scott (D-GA) and included at a \$35 billion level in H.R. 6321, and sponsored by Senators Brown (D-OH) and Reed (D-RI).

This fund as proposed would provide flexible resources through every state’s housing finance agency to meet a wide range of urgent needs of homeowners and renters caused by the economic fallout from the COVID-19 crisis. The capacity and expertise of state HFAs would ensure funds are quickly and effectively deployed throughout rural, urban, and suburban communities.

We also urge Congress to provide funding for low-income renters and rental properties; some will inevitably fall through the cracks even when forbearance policies are in effect, and many will desperately need financial support after those policies end. We agree with the National Low Income Housing Coalition-led Disaster Housing Recovery Coalition that Congress should provide tens of billions of dollars in rental assistance through a combination of Emergency Solutions Grants, Housing Choice Vouchers, Section 521 Rural Rental Assistance, and the Disaster Housing Assistance Program.

We also recommend a substantial, one-time increase in funding for the HOME housing block grant, subject to additional flexibilities for states and localities and targeted towards emergency rental assistance or funding to affordable multifamily owners to meet operating costs directly related to the pandemic, as recommended by a coalition of leading national housing nonprofits

Finally, Congress should set a minimum rate of 4 percent for properties financed with the Low Income Housing Tax Credit and tax-exempt multifamily bonds. The Federal Reserve's recent actions to reduce federal borrowing costs, on which the Housing Credit rate is based, resulted in sharp cuts to the anticipated funding necessary for affordable housing developments to proceed. There is wide bipartisan support in Congress for the establishment of a minimum 4 percent rate for these properties. This concept is one of the cornerstone provisions of the Affordable Housing Credit Improvement Act, S. 1703 and H.R. 3077, which has the support of nearly half the Senate and more than half of House members.

The nation's state HFAs are already making it possible for millions of Americans to shelter securely in place. With your support, they will be able to do the same for the many more who lack that basic protection.

Sincerely,



Stockton Williams
Executive Director

ⁱ NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

ⁱⁱ Aaron Weitzman, "Unprecedented conditions stagger the municipal bond market," *The Bond Buyer*, March 12, 2020.