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HFA Initiative Promotes Affordable Housing Efforts

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The Obama Administration announced a new initiative to encourage low mortgage rates and expand resources for low- and middle-income borrowers to purchase or rent affordable housing by promoting lending by state and local housing finance agencies (HFAs).

The **HFA Initiative** consists of two programs — the New Issue Bond Program (NIBP) and the Temporary Credit and Liquidity Program (TCLP).

“This initiative is critical to helping working families maintain access to affordable rental housing and homeownership in tough economic times,” said Treasury secretary Tim Geithner. “Through the years, many low and moderate income Americans have been well served by state and local HFAs, but the housing downturn has hit these organizations too.”

Geithner added: “Through this initiative, the Administration aims to help HFAs jumpstart new lending to borrowers who might not otherwise be served and to better support the financing costs of their current programs – key components in stabilizing the housing market overall.”

The NIBP will provide temporary financing for HFAs to issue new mortgage revenue bonds, according to a joint statement by the **US Treasury**, the **Department of Housing and Urban Development** (HUD) and the **Federal Housing Finance Agency** (FHFA). The Treasury — under authority granted by the Housing and Economic Recovery Act of 2008 (HERA) — will purchase **Fannie Mae** ([1] [FNM](#): 1.20 -17.81%) and **Freddie Mac** ([2] [FRE](#): 1.40 -18.60%) securities backed by the bonds.

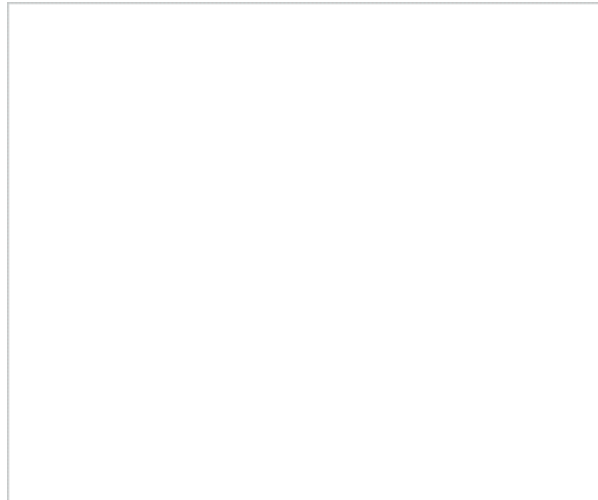
The NIBP will support “several hundred thousand” new mortgages to first-time homebuyers, as well as refinancing for “at-risk, but responsible and performing borrowers” and funding for the development of “tens of thousands” of new rental housing units, according to the release.

In the TCLP, Fannie and Freddie will provide replacement credit and liquidity facilities available to HFAs to reduce the costs of maintaining existing HFA financing. The program aims to relieve financial strains on the HFAs, and the Treasury — again under HERA authority — will “backstop” the facilities by purchasing an interest in them.

Local HFAs are already applauding the initiative as a way to encourage consumer demand for housing.

“Combined with our state-funded down payment assistance, qualified first time homebuyers will be able to take advantage of historically low sales prices on homes in Florida,” said Steve Auger, executive director of the **Florida Housing Finance Corporation**. “The addition of these new, qualified homebuyers will help reduce the huge inventory of homes that are on

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the market due to the foreclosure crisis and help to stabilize declining home values throughout the state.”

HFAs will pay a fee to participate in both programs, meant to cover the expected costs to the Treasury and taxpayer, and the fee for the TCLP will increase over time to encourage HFAs to find private alternatives as quickly as possible. In addition, HFAs that issue bonds under the NIBP will be required to prove they can issue bonds to private investors as well, by selling shorter-term bonds in an amount equal to 40% of the HFA’s total bond proceeds. The NIBP will supply the remaining 60% of bond proceeds.

The initiative is designed to be temporary and to encourage HFA growth and housing market recovery. Each program will be sized based on demand, and the HFAs are required to submit proposals to participate in the two programs.

HFAs are entities created by state law that provide assistance for affordable housing. According to federal data, HFAs have helped finance more than 3m affordable rental homes and more than 3m borrowers obtain mortgages, as well as provide housing counseling to prospective borrowers.

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[1] FNM: **<http://finance.yahoo.com/q/ks?s=FNM>**

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