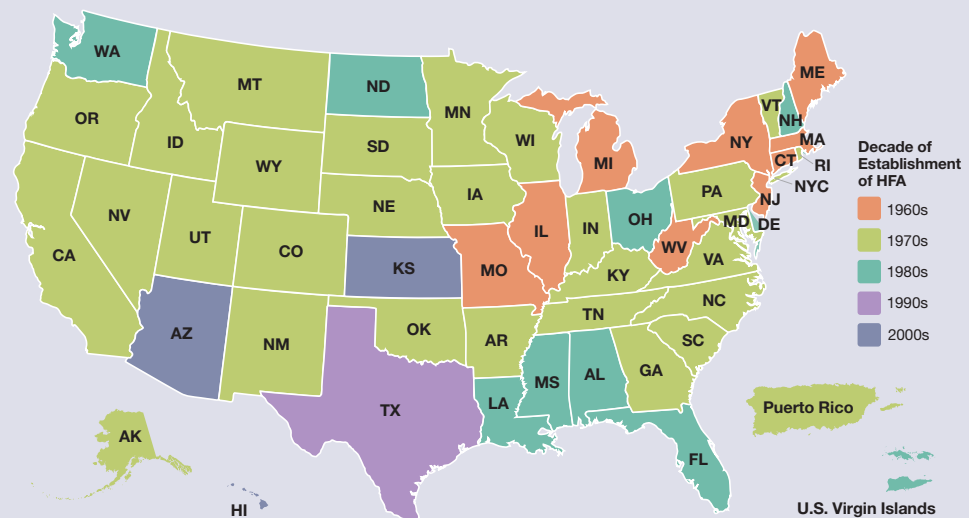


Executive Summary

For more than 50 years, state housing finance agencies (HFAs) have played a central role in the nation's affordable housing system.

HFAs have delivered more than \$450 billion in financing to make possible the purchase, development, and rehabilitation of more than 7 million affordable homes and rental apartments for low- and middle-income households.

Every state HFA was created by its state to meet its particular affordable housing needs. Most HFAs are independent entities that operate under the direction of a board of directors appointed by their state's governor.



Source: NCSHA

Most HFAs are fully self-supporting, operating in the capital markets without the financial backing of their respective states and generating their own resources to fund their activities.

Each state HFA in its own ways combines the financial tools and business discipline of a large-scale lending institution with the planning and policy-making responsibilities of a mission-oriented, public-purpose agency.

In the decade since the Great Recession, HFA business models and program activities have evolved significantly, positioning the agencies to remain key players in addressing their states' and the nation's housing challenges in the years ahead.

This report from the National Council of State Housing Agencies describes the role and quantifies the impacts of state HFAs. It demonstrates the agencies' value proposition at the center of the American affordable housing system by showing how they are:

- Self-supporting, large-scale enterprises;
- Reliable sources of capital in the affordable housing system;
- Providers of high-quality affordable housing financing;
- Administrators of essential federal rental housing resources; and
- Generators of economic benefits for their states.



HFAs Are Self-Supporting, Large-Scale Enterprises

HFAs utilize their authority to issue bonds to generate financing to support affordable homeownership opportunity and rental housing development and preservation. In many cases, these bonds are exempt from federal income taxes, so the investors in them are willing to accept a lower rate of return, which HFAs pass along to their borrowers in the form of lower loan interest rates.

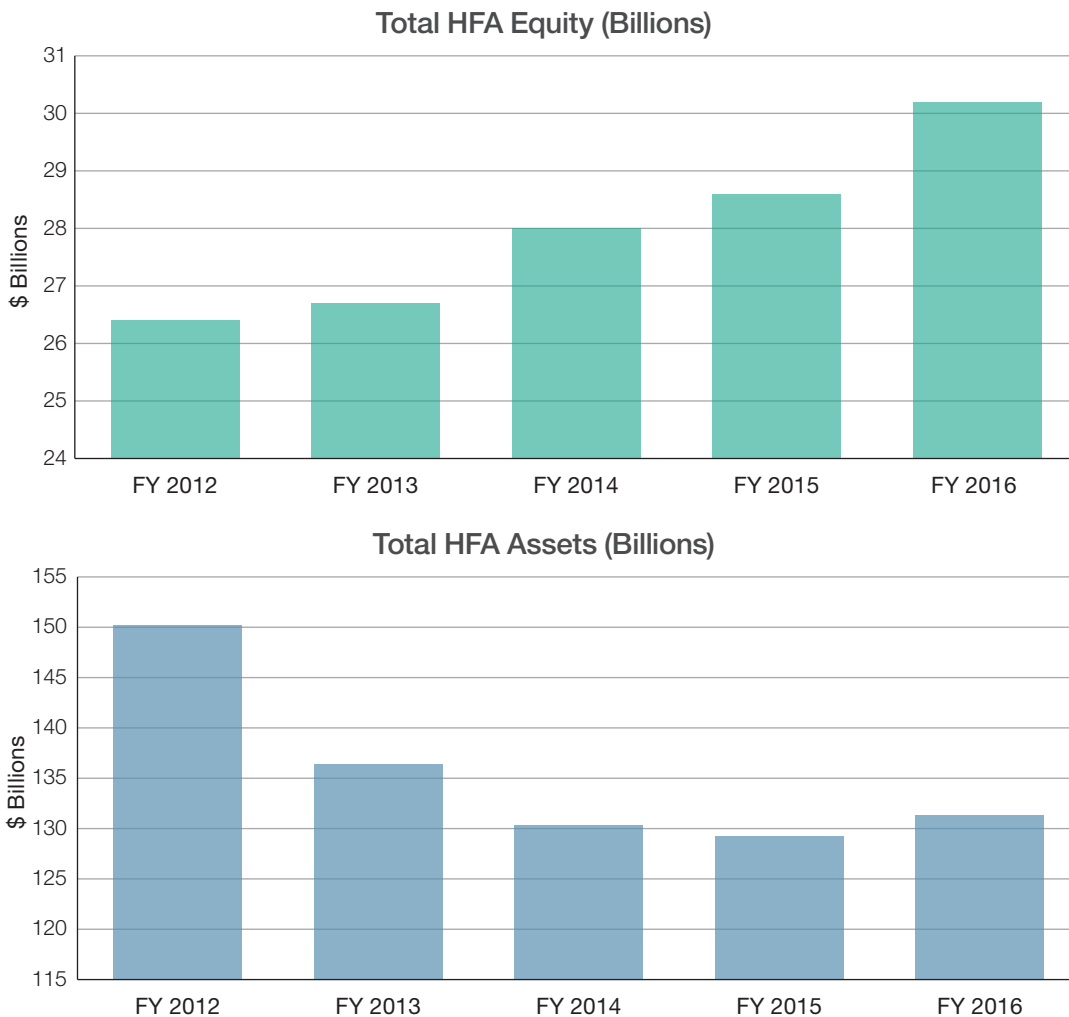
HFA bond programs generate revenue for the agencies, which enable them to be largely self-supporting and to provide additional funding from their earnings to invest in affordable housing for their states.

As of 2016, total state HFA assets were more than \$131 billion, having stabilized and begun to improve since the Great Recession, according to Fitch Ratings.

Total state HFA equity as of 2016 was more than \$30 billion, up 14 percent since 2012, according to Fitch Ratings.

State HFAs maintain consistently high credit ratings, currently ranging from A to AAA, as of the end of 2017, according to S&P Global Ratings.

No state HFA bond issue has ever defaulted in paying bond holders.



Sources: NCSHA; Fitch Ratings

HFAs Are Reliable Sources of Capital in the Affordable Housing System

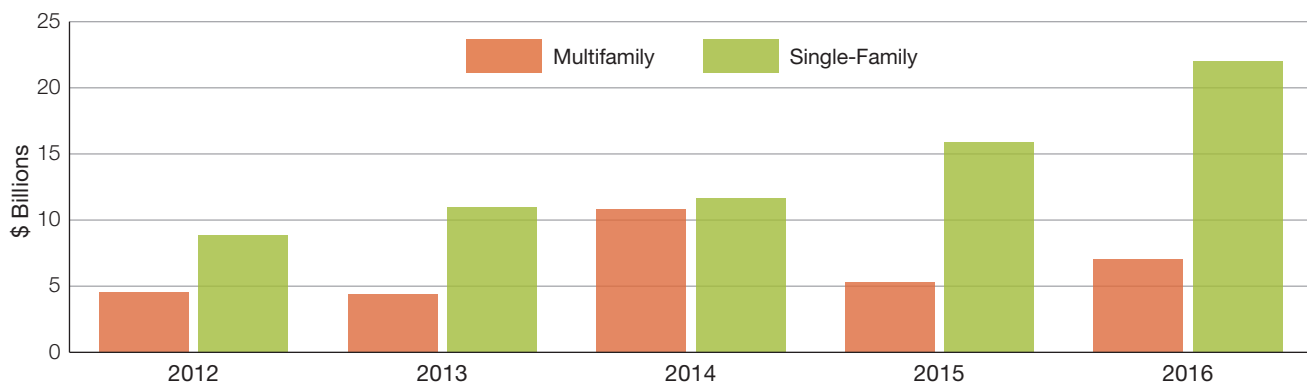
HFAs provide financing for affordable homeownership through several primary means, including tax-exempt mortgage revenue bonds (MRBs), and alternative financing executions through the secondary mortgage market, such as mortgage-backed securities.

HFAs' abilities to access the capital markets through a variety of strategies enables them to deliver housing financing that is responsive to the housing market needs in their states. HFAs are reliable sources of capital in any phase of the economic cycle.

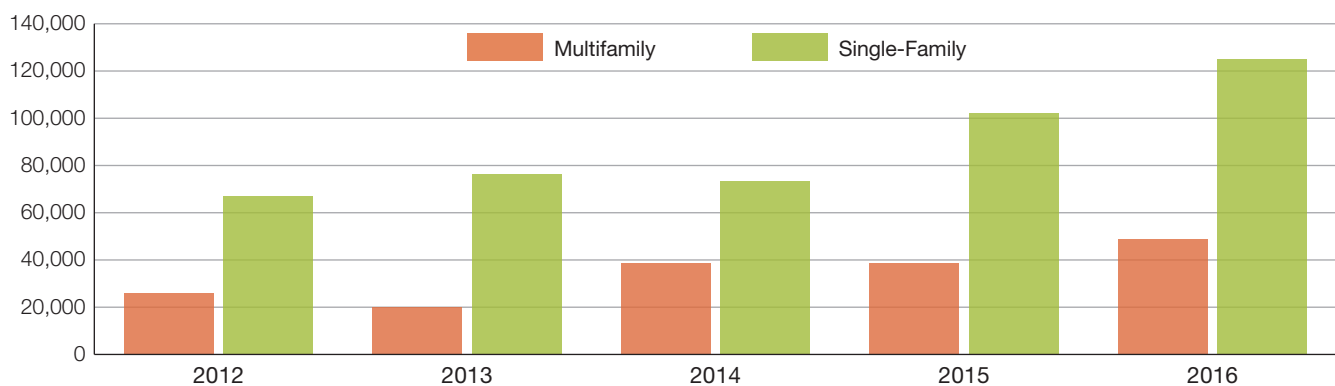
In 2016, HFAs issued more than \$6 billion in MRBs and leveraged nearly \$16 billion in alternative funding sources to finance nearly 126,000 home loans. HFAs have financed more than 3.2 million home purchase loans over time.

HFAs also issued more than \$7 billion in multifamily housing bonds in 2016, to support nearly 49,000 affordable apartments. HFAs' multifamily portfolios, as of the end of 2016, consisted of more than 16,000 properties containing more than 1.2 million apartments.

Multifamily and Single-Family Dollar Issuance (Billions)



Units Produced by Multifamily Bonds and Single-Family Issuance



Source: NCSHA

HFAs Reach Underserved Borrowers and Markets

State HFAs provide housing financing to all parts of their states — urban areas, rural communities, suburban towns, and tribal lands — and to borrowers who otherwise would not be served.

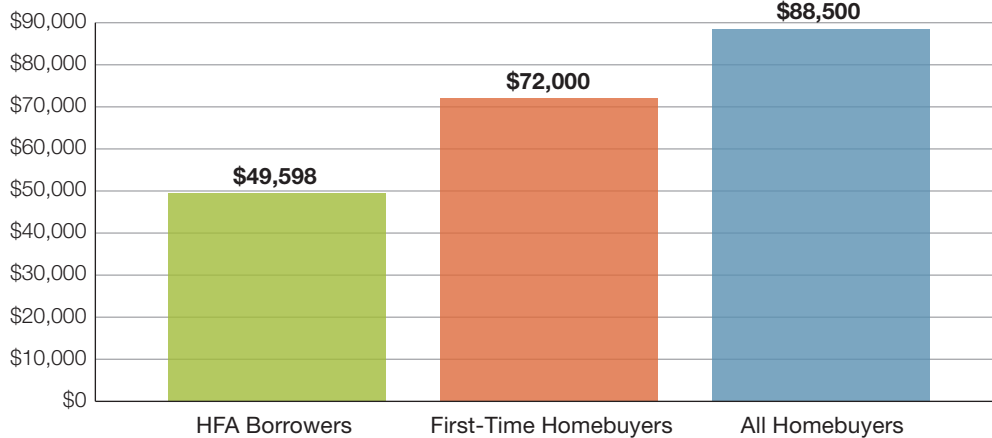
Seventy-two percent of all HFA home loans in 2016 went to borrowers earning their area median income (AMI) or less. The median borrower income for HFA loans in 2016 was just under \$50,000 — 14 percent lower than the national median family income.

On the rental side, state HFAs administer the federal Low Income Housing Tax Credit (Housing Credit) program.

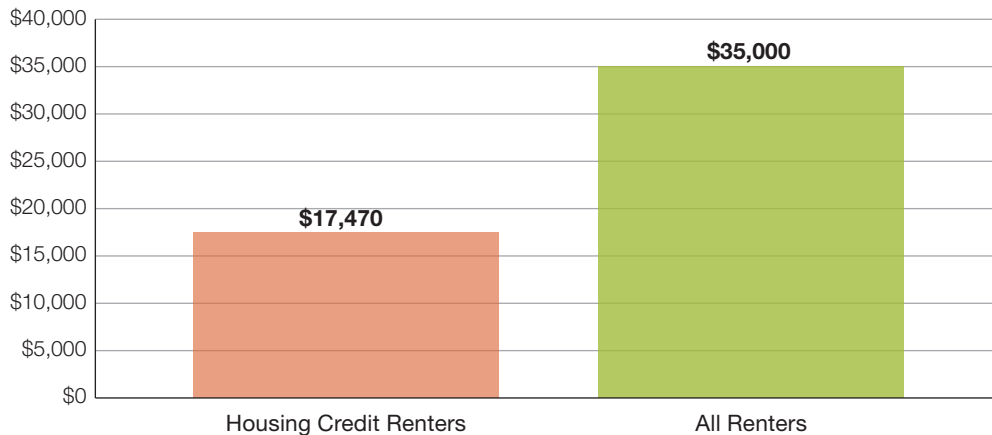
The median income of a Housing Credit apartment resident was \$17,470, compared to \$35,000 for all renters in 2015. More than 80 percent of all households in Housing Credit apartments earn 50 percent or less of AMI.

In 2016, 31 HFAs used the Housing Credit to serve people with disabilities, 28 targeted rural populations, and 25 served households experiencing homelessness.

Median Income of Single-Family Borrowers in 2016



Median Income of Renters in 2015



Source: NCSHA

HFAs Deliver High-Quality Affordable Housing Financing

HFAs have proven that homeownership is not only possible for lower-income families, it is sustainable. The Federal Housing Finance Agency noted in 2014 that HFAs have “historically provided access to credit and lower down payment lending for lower- and moderate-income families” and have “proven, strong performance records.”¹

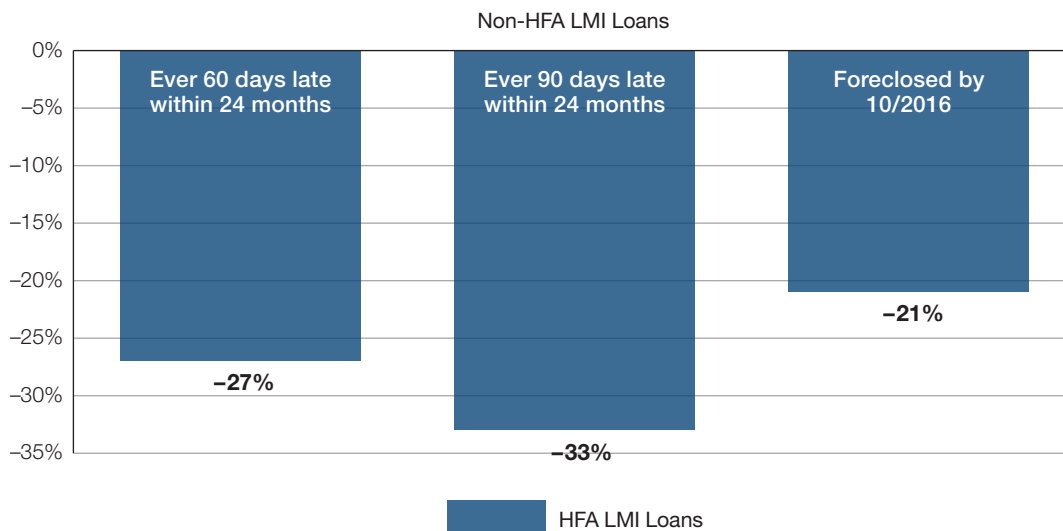
A 2018 study of more than one million low- and moderate-income mortgages found that single-family loans originated through state HFA programs perform better than similar non-HFA loans to low- and moderate-income borrowers.

Overall, HFA loans were 20 percent less likely to experience a long-term default. They were also 20–30 percent less likely to be foreclosed.

According to the report:

“Not only are HFAs more likely to require full documentation and careful underwriting, they also serve as a third-party monitor on the partner lenders originating loans through the state program, creating an additional incentive for careful screening by the lender.”²

Percentages by Which Default and Foreclosure Rates Are Lower for HFA Loans



Source: “Low Income Homeownership and the Role of State Subsidies: A Comparative Analysis of Mortgage Outcomes,” Moulton, Record, and Hembre, 2018, Fannie Mae.

¹ “The 2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac,” May 13, 2014, FHFA.

² “Low Income Homeownership and the Role of State Subsidies: A Comparative Analysis of Mortgage Outcomes,” Moulton, Record, and Hembre, 2018, Fannie Mae.

HFAs Administer Essential Federal Rental Housing Resources

Over time, HFAs’ capacity and performance have earned the agencies the primary responsibility for delivering an array of federal housing programs in their respective states.

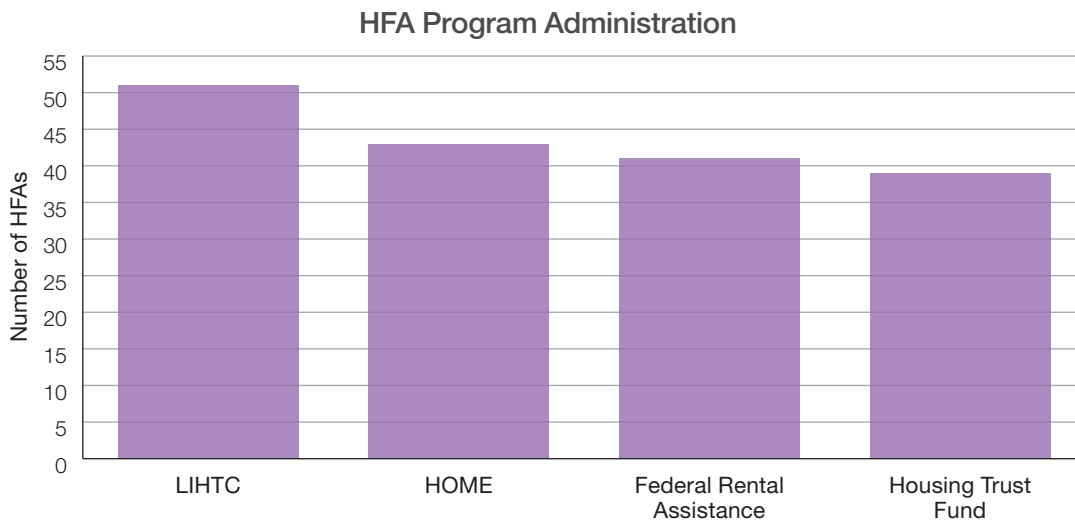
HFAs in 48 states (plus the Virgin Islands and Puerto Rico) administer the federal Low Income Housing Tax Credit. In addition:

- 43 state HFAs run their state’s annual allocation of federal HOME housing block grant funds;
- 41 state HFAs administer various forms of federal rental assistance; and
- 39 state HFAs administer the federal Housing Trust Fund in their states.

In addition to their expertise in leveraging private investment in housing, HFAs have an established track record in administering public programs, which has often generated substantial savings for taxpayers.

One example is HFA administration of “project-based” rental assistance vouchers.

HFAs have cut waste in the underlying HUD Section 8 housing assistance program, ensured that properties remain in strong physical and financial condition, reduced the number and amount of improper subsidy requests, and promoted increased compliance with HUD policies and procedures.



Source: NCSHA

HFAs Generate Economic Benefits for Their States

HFA bond programs attract new capital investment into their states. They also enable the agencies to use their balance sheets in innovative ways to generate new funding for housing investments that otherwise would not be made. And HFAs often reinvest their earnings in new products and services to meet their states' housing needs.

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

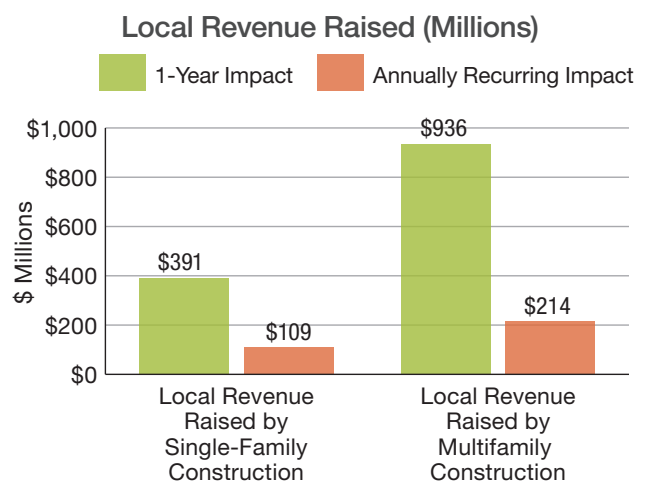
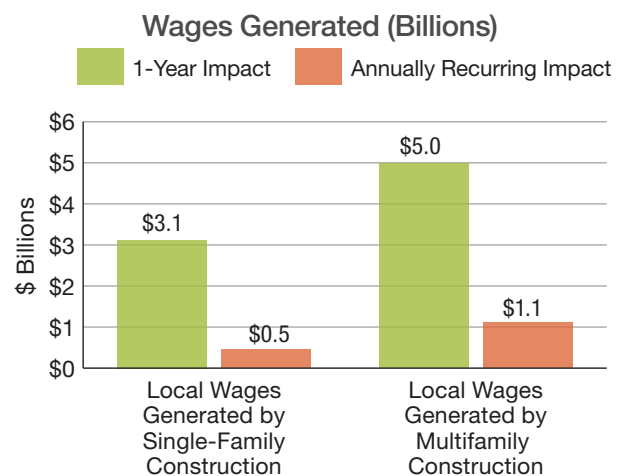
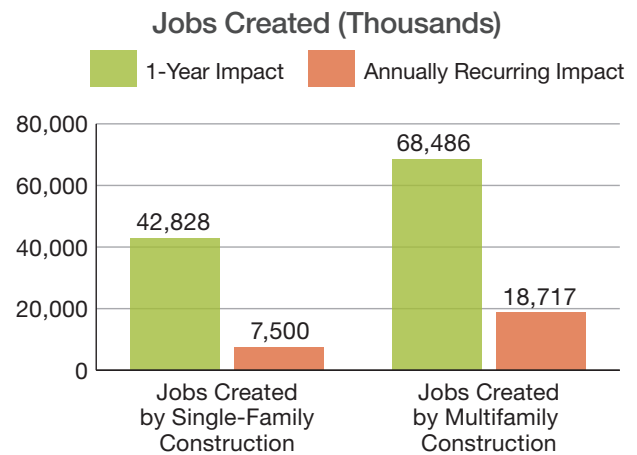
One example is the agencies' financing of new construction of affordable homes through their bond programs and development of rental apartments through the Housing Credit.

These activities in 2016 generated more than 100,000 jobs, nearly \$10 billion in wages, and \$1.6 billion in local revenues on a one-time and annually recurring basis combined.

Conclusion

State HFAs are resilient providers of capital for affordable homeownership and rental housing for their states. They are reliable partners to the other key players in the American affordable housing system. And they are ready participants in the business discussions, policy-making efforts, and advocacy campaigns that will shape the housing market of the future.

Local Economic Impact of New Construction in 2016



Sources: NCSHA, National Association of Home Builders



State Housing Finance Agencies

Alabama Housing Finance Authority
Alaska Housing Finance Corporation
Arizona Department of Housing
Arkansas Development Finance Authority
California Housing Finance Agency
Colorado Housing and Finance Authority
Connecticut Housing Finance Authority
Delaware State Housing Authority
District of Columbia Housing Finance Agency
Florida Housing Finance Corporation
Georgia Department of Community Affairs/Georgia Housing and Finance Authority
Hawaii Housing Finance and Development Corporation
Idaho Housing and Finance Association
Illinois Housing Development Authority
Indiana Housing and Community Development Authority
Iowa Finance Authority
Kansas Housing Resources Corporation
Kentucky Housing Corporation
Louisiana Housing Corporation
MaineHousing
Maryland Department of Housing and Community Development
MassHousing
Michigan State Housing Development Authority
Minnesota Housing
Mississippi Home Corporation
Missouri Housing Development Commission
Montana Housing

Nebraska Investment Finance Authority
Nevada Housing Division
New Hampshire Housing Finance Authority
New Jersey Housing and Mortgage Finance Agency
New Mexico Mortgage Finance Authority
New York City Housing Development Corporation
New York State Homes and Community Renewal
North Carolina Housing Finance Agency
North Dakota Housing Finance Agency
Ohio Housing Finance Agency
Oklahoma Housing Finance Agency
Oregon Housing and Community Services
Pennsylvania Housing Finance Agency
Puerto Rico Housing Finance Authority
Rhode Island Housing
South Carolina State Housing Finance and Development Authority
South Dakota Housing Development Authority
Tennessee Housing Development Agency
Texas Department of Housing and Community Affairs
Utah Housing Corporation
Vermont Housing Finance Agency
Virgin Islands Housing Finance Authority
Virginia Housing Development Authority
Washington State Housing Finance Commission
West Virginia Housing Development Fund
Wisconsin Housing and Economic Development Authority
Wyoming Community Development Authority

About NCSHA

NCSHA is a nonprofit, nonpartisan organization created by the nation's state Housing Finance Agencies (HFAs) more than 40 years ago. NCSHA advances the agencies' shared policy priorities with Congress and federal agencies; produces and disseminates educational, training, and best practice information for agency staff; and promotes HFA leadership and innovation in meeting their states' housing needs.

Acknowledgments

Former state housing finance agency executive directors Tom Gleason (Berkadia Commercial Mortgage, LLC) and Jim Stretz (George K. Baum & Company) provided valuable input. Any errors or omissions are the sole responsibility of the author.

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