NALHFA
National Association of Local Housing Finance Agencies

2022 NATIONAL POLICY AGENDA

ABOUT NALHFA

Founded in 1982, the National Association of Local Housing Finance Agencies (NALHFA) is the national association of professionals working to finance affordable housing in the broader community development context at the local level. As a non-profit association, NALHFA is an advocate before Congress and federal agencies on legislative and regulatory issues affecting affordable housing and provides technical assistance and educational opportunities to its members and the public. Members are city and county agencies, non-profits, and private firms, such as underwriters, lenders, master servicers, consultants, financial advisers, bond counsel, and rating agencies, which help in producing housing from concept to completion.

DEAR POLICY MAKERS

As Congress and the Administration work to address affordable housing and COVID-19 pandemic recovery, the National Association of Local Housing Finance Agencies (NALHFA) stands ready to work with policymakers on legislation and regulations that will provide communities with the tools necessary to connect households across the nation with safe and decent affordable housing options.

Access to affordable housing improves numerous aspects of a family's quality of life. Research shows that when a family has access to affordable housing, there is an increase in their economic mobility. Additionally, children receive numerous benefits from living in an affordable housing community in high opportunity areas. These children earn more as adults, live in better neighborhoods as adults, and are less likely to become a single parent. These children also do better in school and have greater opportunities to learn outside the classroom. Furthermore, affordable housing helps local economies and creates jobs by leveraging public and private funds to increase earnings, increase tax revenue, and put people to work. Building just 100 affordable rental homes can generate $11.7 million in local income, $2.2 million in taxes and other revenue, and can create 161 local jobs in the first year of construction.

According to HUD, an estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing. A family with one full-time worker earning minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. These realities are further amplified by the challenges that the COVID-19 pandemic has caused, which has threatened the housing security for millions of Americans.

While NALHFA is pleased by recent efforts to increase affordable housing resources, it is imperative that these tools are further strengthened and expanded to help American families access the housing they need to succeed. NALHFA looks forward to working with Congress and the Administration to expand, strengthen and preserve affordable housing resources in 2022.

Sincerely,

Jonathan M. Paine, CAE
Executive Director
National Association of Local Housing Finance Agencies

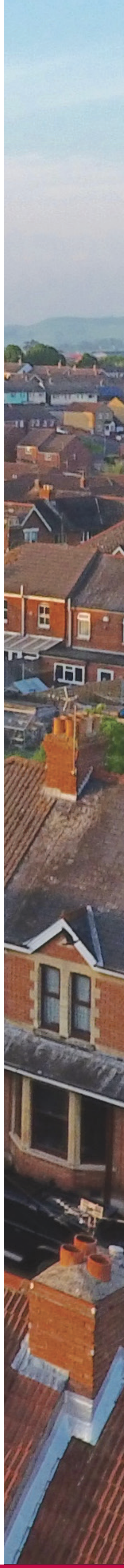
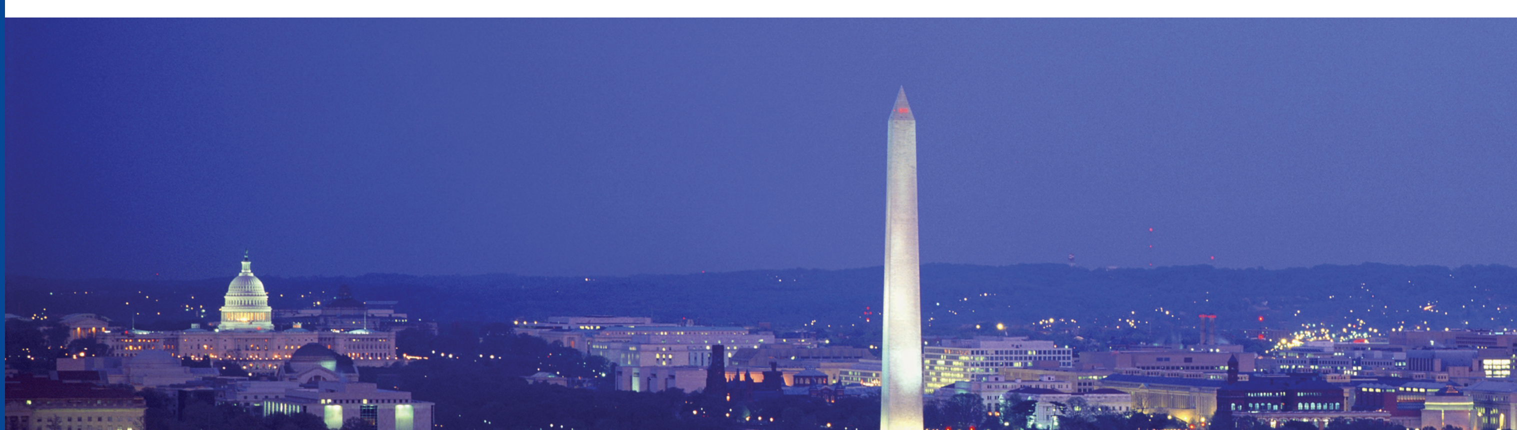


TABLE OF CONTENTS



PRIVATE ACTIVITY BONDS (PABS)/ MUNICIPAL BONDS

Private Activity Tax Exempt Bonds (PABs) generate 4 percent Low-Income Housing Tax Credits (Housing Credits), which finance approximately 50 percent of all Housing Credit developments. PABs are a critical affordable housing tool, leveraging private and public resources, creating tens of thousands of jobs, and facilitating the creation of millions of low-income homes. Currently, the cap on PABs is a major limiting factor for a growing number of states and localities as they seek to preserve existing affordable and public housing and create new housing to meet the growing need. Increasing the cap on PABs for affordable and public housing would help create a public good and support the country's continuously growing housing infrastructure needs.

Without PABs, nearly 1 million affordable homes go unbuilt in the next ten years. PABs and the 4% Housing Credits they generate are among the most successful models of public-private partnerships because they leverage additional public and private resources for housing, create tens of thousands of jobs every year, and help address the affordable housing crisis ravaging every city and state in the country.

Over 12 million renter and homeowner households spend more than 50 percent of their annual incomes on housing and the United States housing market cannot afford to lose this critical resource.

- NALHFA supports the preservation and enhancement of all tax-exempt housing bonds.
- NALHFA supports approaches to promote the expanded use of tax-exempt housing bonds, including expanded bond recycling, to better serve local HFA housing finance needs.

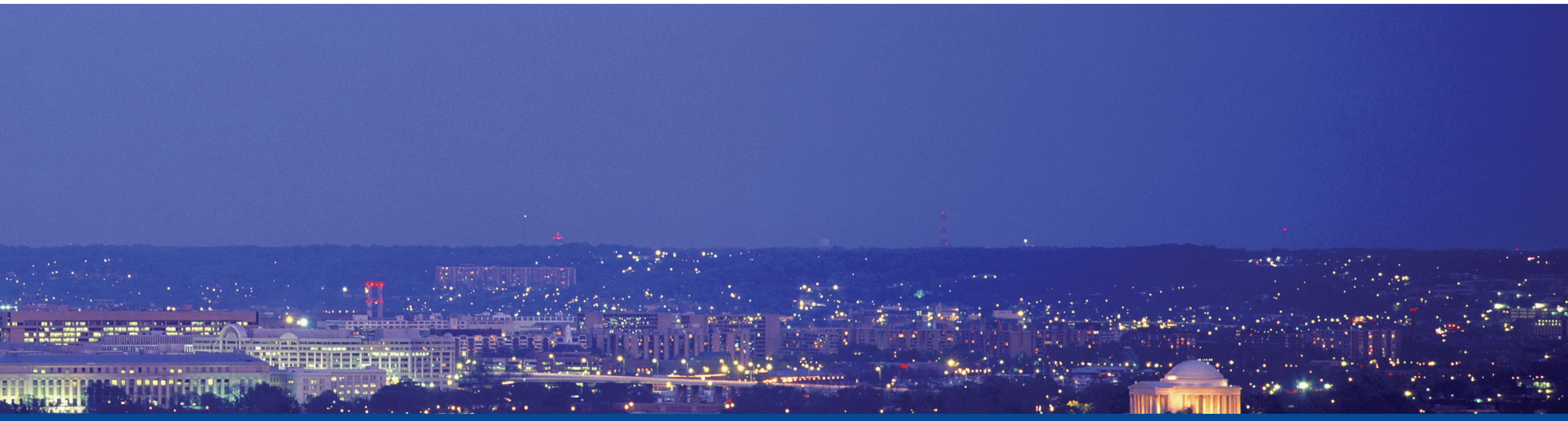
LOW-INCOME HOUSING TAX CREDIT (HOUSING CREDIT) PROGRAM

The Housing Credit program was created by the Tax Reform Act of 1986, and is our nation's most successful tool for encouraging private investment in affordable rental housing. It has financed over 3 million apartments nationwide since 1986, providing roughly 7.2 million low- income families, seniors, veterans, and people with disabilities homes they can afford.

Despite the success of this and other housing programs, there are still millions of families struggling to find affordable housing.

According to HUD, an estimated 12 million renter and homeowner households spend more than 50 percent of their annual incomes on housing. Families who pay more than 30 percent of their income for housing are considered cost burdened and will likely have difficulty paying for necessities such as food, clothing, transportation and medical care.

The Tax Cuts and Jobs Act that was signed into law in December 2017 continues to have a significant impact on the production



of affordable housing. This tax overhaul legislation reduces the corporate tax rate from 35 to 21 percent. This substantial drop in the corporate tax rate has made investment in the Housing Credit less appealing. When an investor purchases tax credits from a developer under the Housing Credit program, the investor can use those credits to lower their annual federal tax bill. If an investor has a lower tax bill, they will not be willing to pay as much for these tax credits.

The Housing Credit program has been one of the most successful tools for rental housing production, but the current authority available is not enough to adequately respond to affordable housing needs and increasing demands on the program.

- NALHFA supports the Low-Income Housing Tax Credit as the most successful tool available for incentivizing private investment in the production and preservation of affordable housing.
- Increasing the allocation of the Housing Credit by 50 percent for acquisition and bond-financed projects to allow for the creation and preservation of more affordable homes in the United States. An increase in the allocation of Housing Credit by 50 percent will allow the program to create and preserve approximately 400,000 more affordable homes over the next decade.

LOCAL HFA DOWN PAYMENT ASSISTANCE PROGRAMS

The Department of Housing and Urban Development (HUD) has indicated that it would initiate a rulemaking regarding the Federal Housing Administration's (FHA) insurance rules for down payment assistance (DPA) programs. In a recent report to Congress regarding the FHA mutual mortgage insurance fund (MMIF), the report addresses FHA loans that use DPA programs funded by governmental entities and outlines HUD's concerns about apparent higher default rates attributed to these governmental DPA programs. In this report, HUD notes the need for "swift and decisive" action regarding these programs.

HUD's FHA plays a central role in providing underserved households with affordable housing financing. The FHA mortgage insurance program insures lenders against mortgage default for single and multifamily housing for low- and moderate-income families. Unlike private originators, local HFAs are government entities, meaning they automatically qualify for FHA- insured loans to use in conjunction with their DPA programs. This means HFAs are able to help creditworthy individuals with a down payment they might not otherwise be able to obtain.

At a time when our nation is facing an affordable housing crisis, local HFAs are providing quality affordable housing resources to low- and moderate-income families without reliance on tax-payer dollars. It is important that HUD strengthen these programs through any new guidance, not obstruct them.

- NALHFA supports policies to strengthen and enhance local HFA DPA programs, specifically focusing on preserving the ability of local HFAs to provide DPA and other secondary financing on a preferred basis with FHA single-family loans.

FHA-HFA FEDERAL FINANCING BANK PROGRAM

The Federal Housing Administration (FHA) – Housing Finance Agency (HFA) Multifamily Loan Risk-Sharing Federal Financing Bank Program is an important option for many HFA's affordable rental housing developments. The Federal Financing Bank (FFB) and Risk- Sharing Program is a partnership between HUD and the U.S. Department of Treasury that provides low cost capital through a strong network of state and local HFAs across the country, efficiently leveraging private investment and state and local government resources, with little risk to the federal government.

After a strong and hard fought advocacy campaign from NALHFA, Treasury and HUD finalized an agreement in 2021 to restart the FFB support of HUD's Risk Sharing program, which had been suspended in 2019, for a period of three years. The agreement provides low-cost Ginnie Mae-comparable rates to HFAs that finance affordable housing development, enabling the development of new quality and affordable housing.

- NALHFA supports the continuation of the Multifamily Loan Risk-Sharing Federal Financing Bank (FFB) Program and opposes future attempts to rescind it.

HOME INVESTMENTS PARTNERSHIPS AND THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS

The HOME Investments Partnerships (HOME) and the Community Development Block Grant (CDBG) Programs have been model federal block grant programs for improving the nation's crumbling infrastructure, expanding affordable housing opportunities, and undertaking neighborhood revitalization. Despite the success of these programs, HOME funding had declined by 55% and CDBG by 49% since 2000 which has severely hampered local governments' ability to foster sustainable and economically resilient communities. The HOME and CDBG programs have recently received increased funding levels over the last several fiscal years. These increased funding levels are a huge win for the local governments across the country, but due to the chronic underfunding of both programs, there is still more work to be done to restore funding for this essential programs.

HOME Program

For communities across the nation, the HOME Program is vital to increasing home ownership and expanding the availability

of affordable rental housing. Since 1990, over one million units of housing have been produced with HOME funds. Despite the program's performance, annual funding for the HOME Program has been cut in half since 2010. HUD indicates that each dollar of HOME funding leverages an additional $4 in other public and private funding. Every $1 billion in HOME funding creates or preserves more than 17,000 jobs.

According to HUD, an estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing. A family with one full-time worker earning minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States.

- NALHFA supports policies that strengthen and expand the HOME Program to help American families access affordable housing.

Community Development Block Grant Program

Local governments use CDBG funds for critical community development activities including, infrastructure improvements such as roads, water and sewer systems; expanding homeownership opportunities; eliminating slum and blight; employment training; business and job creation; transportation services; services at libraries, community centers, adult day care and child and after school care facilities; homeless housing assistance; and crime awareness programs.

Every $1 million in CDBG funding supports nearly 26 jobs and since 2005 CDBG program resources have created over 300,000 jobs. This important housing and community development program has been a catalyst for economic growth and has helped local officials leverage funds for community needs. CDBG allocation continues to be underfunded, however, at a time when the nation's housing infrastructure is ailing and is in dire need of improvements.

- NALHFA supports policies that increase CDBG funding to give communities the ability to address their housing and development needs at the local level.

HOUSING CHOICE VOUCHERS

Housing Choice Vouchers are an important resource for low-income Americans in need of affordable housing options. Also known as tenant-based Section 8, the Housing Choice Voucher program provides reimbursement to landlords for the difference between what a household can afford to pay in rent and the actual market rent of a housing unit. Assisting more than five million people in 2.2 million low-income households, the program is HUD's largest rental assistance program and it serves those in the most need of rental assistance due to income targeting guidelines.

- NALHFA supports the protection and expansion of the Housing Choice Voucher program and opposes any measures that increase minimum rent requirements without improvements to hardship exemptions.

PROJECT-BASED RENTAL ASSISTANCE

Project-based Rental Assistance (PBRA) is a public-private partnership between HUD and private owners of multifamily rental housing. Through this program, HUD helps more than 1.2 million extremely low-, low- and very low-income families obtain decent, safe and sanitary housing by making up the difference between what families can afford for rent and market rents.

HUD provides multifamily housing owners a long-term PBRA contract or a subsidized mortgage to make units affordable. These contracts are administered by HUD and state and local housing authorities. Eligible tenants must pay the highest of 30 percent of adjusted income, 10 percent of gross income, or the portion of welfare assistance designated for housing or the minimum rent established by HUD.

PBRA has a long history of serving populations most in need of housing, and preservation of this program is an effective means of investing in housing infrastructure.

- NALHFA supports policies that fully fund renewals on all project-based contracts for 12 month terms.

HOUSING AS INFRASTRUCTURE

Enhancements to infrastructure resources, specifically, improvements to private activity bonds, provide communities with the necessary resources to support homeownership opportunities and to facilitate low-income housing tax credit developments. Legislation to promote housing resources will address the growing need for more affordable housing and provide economic growth and opportunity across the country.

When communities do not have adequate affordable housing for their workforce, wages and productivity will suffer. The affordable housing access obstacle prevents families from increasing their earnings and causes a slower GDP growth. The shortage of affordable housing in major U.S. cities costs our economy $2 trillion a year in lower wages and productivity and prevents low-income households from moving to areas with more economic opportunities.

Access to affordable housing improves numerous aspects of a family's quality of life. Research shows that when a family has access to affordable housing, there is an increase in their economic mobility. Additionally, children receive numerous benefits from living in an affordable housing community in high opportunity areas. These children earn more

as adults, live in better neighborhoods as adults, and are less likely to become a single parent. These children also do better in school and have greater opportunities to learn outside the classroom.

Furthermore, affordable housing infrastructure helps local economies and creates jobs by leveraging public and private funds to increase earnings, increase tax revenue, and put people to work. Building just 100 affordable rental homes can generate $11.7 million in local income, $2.2 million in taxes and other revenue, and can create 161 local jobs in the first year of construction.

- NALHFA supports policies that support the robust expansion of affordable housing resources available to local governments.

HOUSING FINANCE REFORM AND DUTY TO SERVE

In 2008, as a result of deterioration in the housing market and Fannie Mae and Freddie Mac's inability to raise new capital, Congress and the administration—through enactment of the Housing and Economic Recovery Act of 2008 (HERA; P.L. 110-289)—placed the government- sponsored enterprises (GSEs) into conservatorship under the control of the Federal Housing Finance Agency (FHFA). During the 113th Congress, policymakers began developing proposals to establish a new secondary market mechanism and winding down Fannie Mae and Freddie Mac.

However, none of these measures received consideration by the full House or Senate.

Congress and the Administration have had ongoing discussions over the need to reevaluate the ongoing status of the GSEs. However, many outstanding details must be agreed to by Congress and the White House before any action would be approved modifying or eliminating the GSEs.

Related to this, the Federal Housing Finance Agency (FHFA) released a final rule implementing Duty to Serve (DTS) provisions of the Housing and Economic Recovery Act (HERA) of 2008, in December 2016. The provisions require Fannie Mae and Freddie Mac to serve three specified underserved markets: manufactured housing, affordable housing preservation, and rural markets.

The rule requires the Government-Sponsored Enterprises (GSEs) to adopt plans that improve "the distribution and availability of mortgage financing in a safe and sound manner for residential properties that serve very low-, low-, and moderate-income families" in the three underserved markets. DTS credit will be conveyed for eligible GSE activities that facilitate a secondary market the specified underserved markets. GSEs will be required to submit to FHFA an Underserved Markets Plan covering a three-year period that describes the activities and objectives it will undertake to meet its Duty to Serve.

NALHFA works to ensure the needs of local HFAs and the role they play in financing affordable housing are fully served. This includes ensuring that any successor entity to the GSEs acts as a viable secondary market outlet for affordable single- and multi-family housing finance; provides credit enhancement, insurance programs; and liquidity support for local HFA programs.

- NALHFA supports policies that will strengthen and expand local HFA-GSE collaborations and partnerships, including as part of the GSEs Duty to Serve requirements.

OPPORTUNITY ZONES

The Tax Cuts and Jobs Act, signed into law on December 22, 2017, created a new tax incentive tool for community development projects. Opportunity Zones will provide long-term capital to economically distressed communities by providing tax incentives to investors who invest in Qualified Opportunity Funds (QOF). The Opportunity Zones tax benefit holds tremendous opportunity for local governments and is the first community development tax incentive program created since the Clinton Administration. Investors will be able to receive

a temporary tax deferral and other tax benefits by investing unrealized capital gains into QOFs for a minimum of five years.

Opportunity Zones provide a much needed additional tool for building affordable housing in these economically distressed communities. NALHFA continues to work with local HFAs to provide the educational materials and resources necessary to navigate this new tool.

Additionally, NALHFA is examining all new regulatory proposals and guidance on Opportunity Zones and providing comments, when possible, to recommend changes to the regulations that will help HFAs take full advantage of Opportunity Zones to create affordable housing in communities that greatly need it.

- NALHFA supports Opportunity Zones and implementing policies that provide long-term capital to economically distressed communities.

ECONOMIC CRISES & GOVERNMENTAL ASSISTANCE

History has demonstrated the necessity of NALHFA-backed programs under many different economic conditions and they have a successful track record. However, the COVID-19 pandemic has proven how critical affordable housing programs are as a source of relief for individuals as well as the economy. Especially during pandemics and other economic crises, Congress should provide local communities with the necessary tools and resources needed to ensure that vulnerable populations and their families have a place to call home and that they don't live in fear each day not knowing if they will have food and shelter.

- NALHFA supports federal policies that, due to pandemics and other drastic economic circumstances, support local communities and protect especially vulnerable populations from homelessness.

BOARD OF DIRECTORS

VICE PRESIDENT

Dawn Arnold
Executive Vice President & Chief Operating Officer
Invest Atlanta
Atlanta, GA

TREASURER

Damon Burns
Chief Executive Officer
The Finance Authority of New Orleans
New Orleans, LA

SECRETARY

Cheree Gulley
Executive Director
Miami-Dade County Housing Finance Authority
Miami, FL

IMMEDIATE PAST PRESIDENT

Jim Shaw
Executive Director
Capital Area Housing Finance Corporation
Austin, TX

DIRECTORS

William L. Brewer
Executive Director
Nevada Rural Housing Authority
Carson City, NV

Vivian Benjamin
Assistant Director, Mortgage Finance Division
Montgomery County Housing Opportunities Commission
Kensington, MD

Jonathan Campbell
Executive Director
Southeast Texas Housing Finance Corporation
Houston, TX

Christopher E. Donald
Executive Director & CEO
District of Columbia Housing Finance Agency
Washington, DC

Ellen Duffy
Executive Vice President Debt Issuance & Finance
New York City Housing Development Corporation
New York, NY

Jonah Lee
Director of Portfolio Management & Preservation
San Francisco Mayor's Office of Housing and Community Development
San Francisco, CA

W.D. Morris
Executive Director
Orange County Housing Finance Authority
Orlando, FL

Shaina Madden
Assistant Director for the Residential & Consumer Lending
Urban Redevelopment Authority of Pittsburgh
Pittsburgh, PA

Ann Sewill
General Manager
Housing + Community Investment Department, City of Los Angeles
Los Angeles, CA

Melissa Taphorn
Executive Director
Washington County Community Development Agency
Woodbury, MN

NALHFA
National Association of Local Housing Finance Agencies

National Association of Local Housing Finance Agencies

2001 K Street, NW
3rd Floor North
Washington, D.C. 20006
202.367.1197
www.nalhfa.org
info@nalhfa.org