



NALHFA 2026



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The Future of HFA Lending: Blending Traditional Bond Structures with the TBA Market

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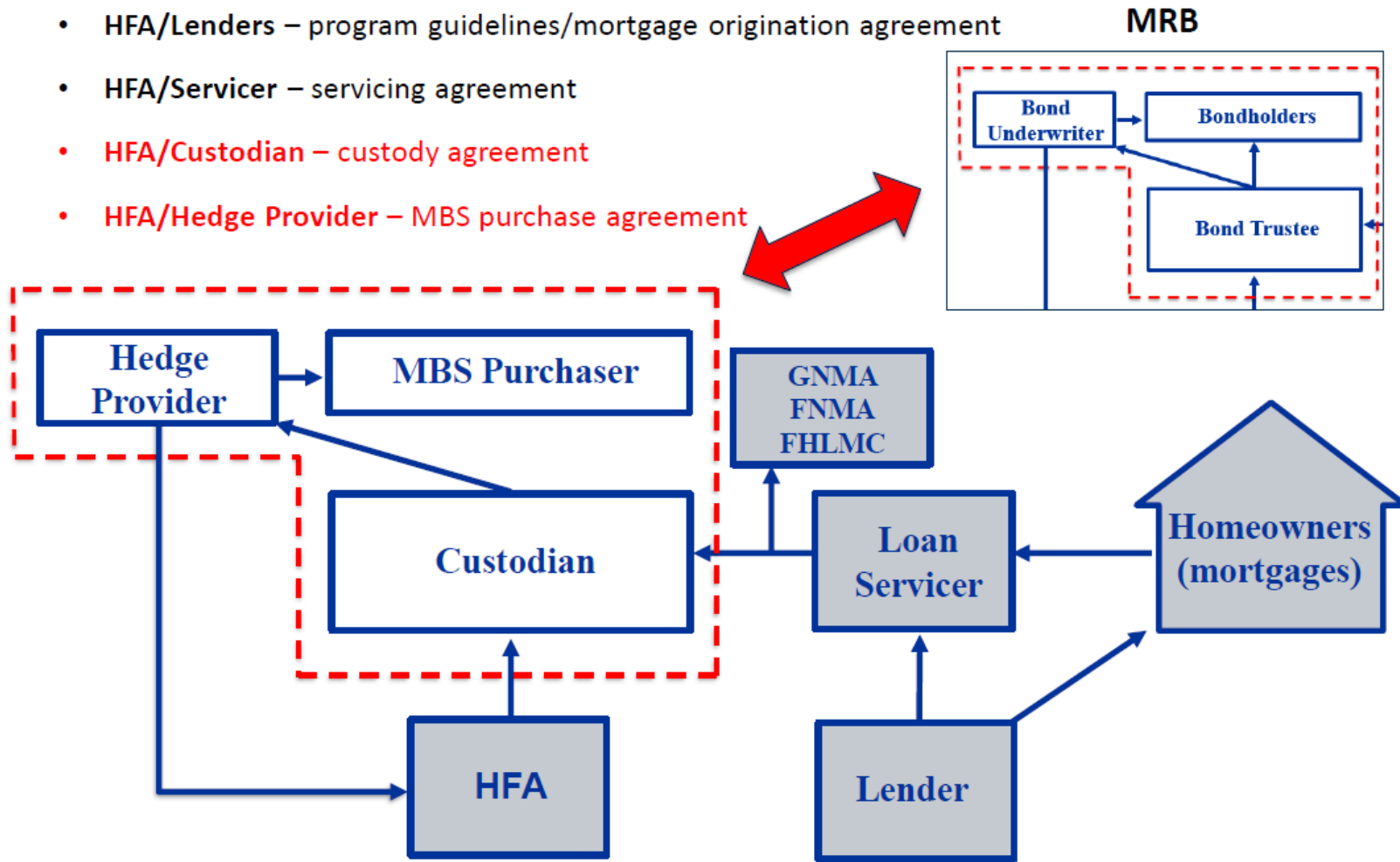
⋮⋮⋮ HFA Single Family History

- Until mid-2008, most HFAs funded mortgage loan/DPA programs through the sale of tax-exempt single family MRBs sold to the public, including the GSEs (Fannie Mae and Freddie Mac).
- Single family MRBs were designed to fund below market rate mortgage loans & DPA to qualifying low-and-moderate income first-time homebuyers.
- Economic dislocations following 2008 and the Great Recession (when “Housing” became a 4-letter word) made Single Family MRBs difficult to sell effectively, particularly longer-dated MRB maturities.
- Most HFAs securitize loan production into MBS (GNMA, Fannie Mae, Freddie Mac). The lack of liquidity of MRBs relative to MBS (along with the direct (or implied) full-faith and credit nature of such MBS) resulted in a dislocation between MRBs and MBS in the wake of 2008.
- The New Issue Bond Program (NIBP), where the U.S. Treasury purchased 60% of an MRB (in some cases 100%), enabled HFAs to continue their single-family programs from 2009-2012 during significant market dislocation.



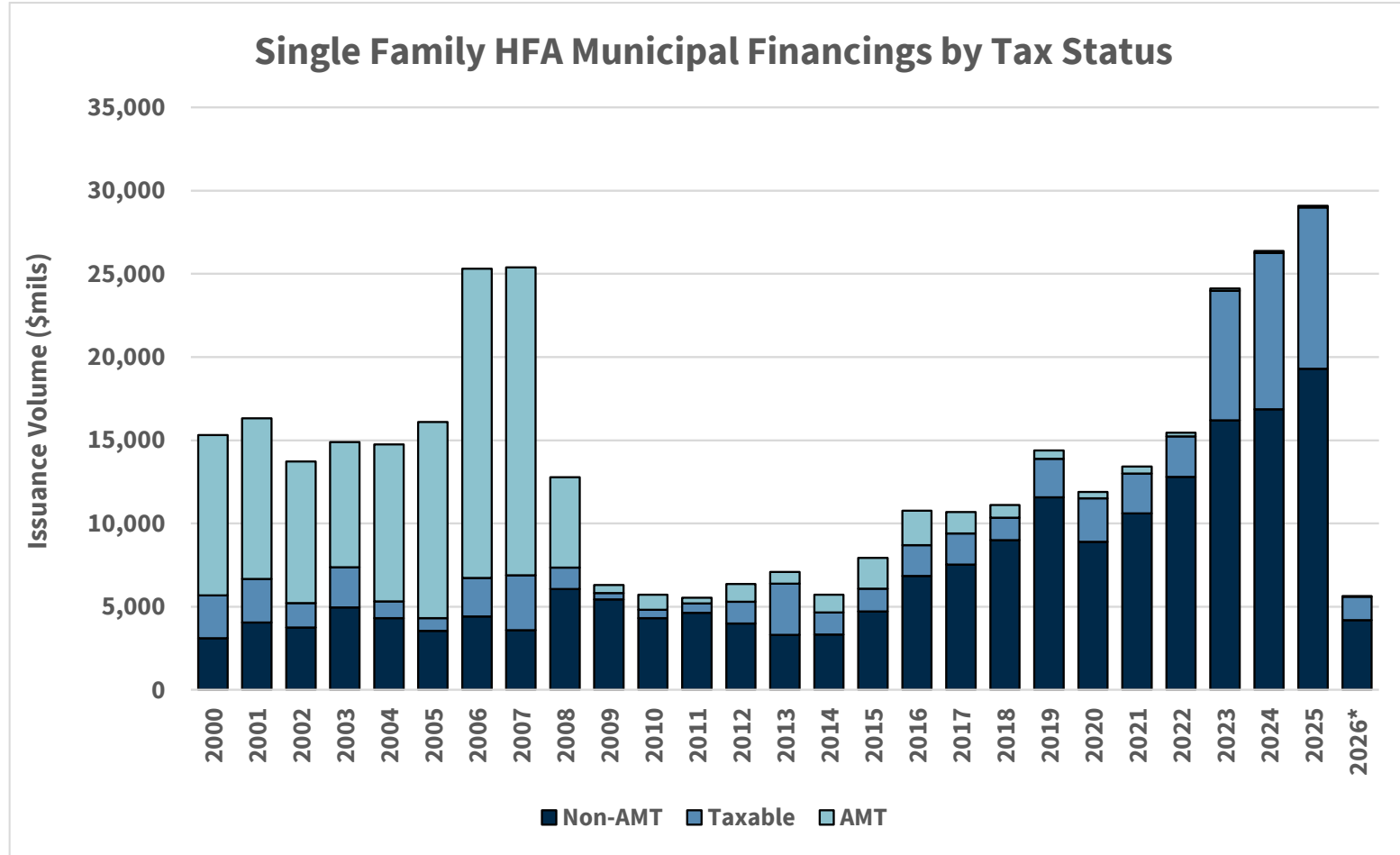
Single Family Funding Basics – TBA vs MRB

- HFA/Lenders – program guidelines/mortgage origination agreement
- HFA/Servicer – servicing agreement
- HFA/Custodian – custody agreement
- HFA/Hedge Provider – MBS purchase agreement



Single Family MRB Issuance Trends

- Significant TBA volume in 2012-2022
- As interest rates rose post COVID, MRB issuance climbed with it.
- 2023-2025 saw record levels of tax-exempt MRB issuance.
- Pre-2008, Taxable MRBs primarily used to refund callable bonds.
- Drivers of increase of taxable volume starting in 2023 include (i) funding for non-qualified loans (TBA replacement) programs and (ii) volume cap constraints from record MRB issuance.
- % SF Taxable Issuance
 - 2000-2011: ~11%
 - 2012-2026YTD: ~23%
 - 2023-2026YTD: ~ 32%



Source: LSEG; *2026YTD



Single Family Financing Considerations

- TBA competitive with MRB?
- Taxable MRB vs TBA?
- % of non-bond loan production that would meet tax-exempt bond requirements?
- Volume Cap considerations? SF/MF MRBs & MCCs?
- Local HFA ~10-15bps higher bond rates than State HFA MRB.
- MRB IRS requirements more restrictive than TBA.
- Lender/realtor network? Training?
- Premium PAC? Ability to support PAC schedule.
- Issuer contribution? Costs: Neg Arb & COI
- Investments to reduce upfront contribution? GIC/ladder UST portfolio/money market?
- Standalone/open indenture?
- Form of DPA?
- Recycling volume cap?



Single Family Housing Revenue Bonds



Continuous Lending Program

- Between issuance of single family bond issues, the Authority has a continuous lending program where first-time homebuyer loans continue to be originated by participating lenders.
- The Authority monitors the market to make adjustments to mortgage rates, downpayment assistance, etc. during this time.
- As these loans are being originated and closed by the participating lenders, the Master Servicer agrees to purchase the loans from the lenders and on a monthly basis sells the MBS pools to the Authority.
- The Authority uses its line of credit at the Federal Home Loan Bank of Atlanta (FHLB) to purchase the MBS pools until new bonds are issued and the MBS at the FLHB can be delivered to fully fund the bond issue.





Premium PAC Bond

- Non-AMT portion issued as a traditional bond structure including semi-annual serial bonds, term bonds and a structured bond known as a premium PAC bond (Planned Amortization Class).
- Raise additional bond proceeds by issuing a portion of the 2025CD bonds at a premium to fund accrued interest on the MBS, pay any premium due on the MBS as purchased, and reimburse the Authority for a portion of its upfront contribution towards the 2025CD costs of issuance.



Zero Participations

- Previous bond issue 2025A sends “excess spread” beyond the allowable 1.125% single family yield spread (mortgage yield less bond yield) in the form of zero % participations (“Zeros”) to the 2025CD issue to reduce the mortgage rate. The rate is reduced when proceeds at effective 0% interest rates are transferred from 2025A to 2025CD.
- 2025C Non-AMT portion will have additional “excess spread” and create subsidy of ~\$3,190,000 in Zeros for future issuance of bonds at a later date.
- Zeros not only assist in lowering rates for future borrowers but also provide the Authority with a hedge against increases in bond rates.





Taxable Bonds

- Series 2025D included taxable bonds which helped to minimize the usage of volume cap. Taxable bonds were similar in structure to the tax-exempt bonds but with no premium PAC bond.
- Pinellas County only received ~\$51,000,000 private activity allocation in 2025 and that allocation is used for single family and multifamily bond issues.
- Tremendous need to stretch resources. This structure allowed us to save \$6,500,000 in allocation.





Pricing Recap

- \$22,000,000 total Bonds
 - \$15,500,000 Series C (Non-AMT)
 - \$6,500,000 Series D (Taxable)
- Pricing date Tuesday, August 12, 2025
- \$7,400,000 of Premium PAC Bonds raised \$766,936 of bond premium
- Issuer Contribution \$120,000
- Warehoused MBS: GNMA and FHLMC pools ranged from 5.75% - 7.00%





Pricing Recap

- The Bonds priced at an aggregate yield of 5.10%, which given that 30% of the bonds sold were taxable and did not use volume cap, provided an attractive blended cost of funds to the Authority to fund MBS and loans in the Authority's pipeline.
- Shortly after the closing of 2025CD, approximately \$18,700,000 of MBS were funded with the remaining 2025A bond proceeds and the majority of the 2025CD bond proceeds with MBS warehoused with the Authority's line of credit at FHLB.





Questions?

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