NALHFA
National Association of Local Housing Finance Agencies

2023 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

Welcome to the 118th Session of Congress and to the second half of the Biden-Harris Administration. In the previous year, the National Association of Local Housing Finance Agencies (NALHFA) has worked with both the Administration and Congress to advocate on behalf of its members for affordable housing priorities. Extension of pandemic-era relief programs and the expansion of federal funding opportunities have guided NALHFA in strengthening our members' goal of achieving enhanced aid for vulnerable communities.

NALHFA stands ready to continue its mission in working with policymakers on legislation and regulations that will provide communities access to safe and affordable housing options. In partnership with Congress and HUD, NALHFA will drive the conversation on affordable housing and engage senior federal officials on member focused program development and reform, tax resources and financing tools.

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 excel in school and advance beyond the classroom to live fulfilling lives in stable neighborhoods in adulthood. 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.

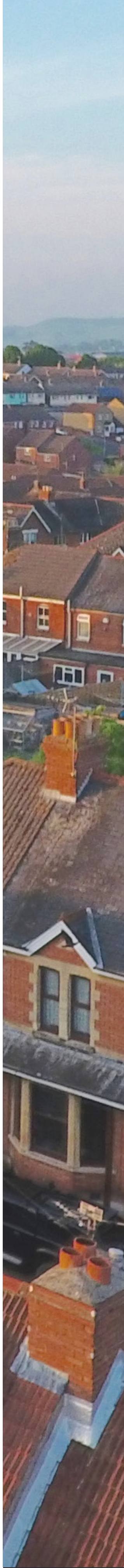
According to HUD, an estimated 16.5 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing. A family with one full-time worker earning minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. These realities are further amplified by the challenges communities have faced in the months and years since COVID-19, 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 2023.

Sincerely,

Jonathan Paine

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



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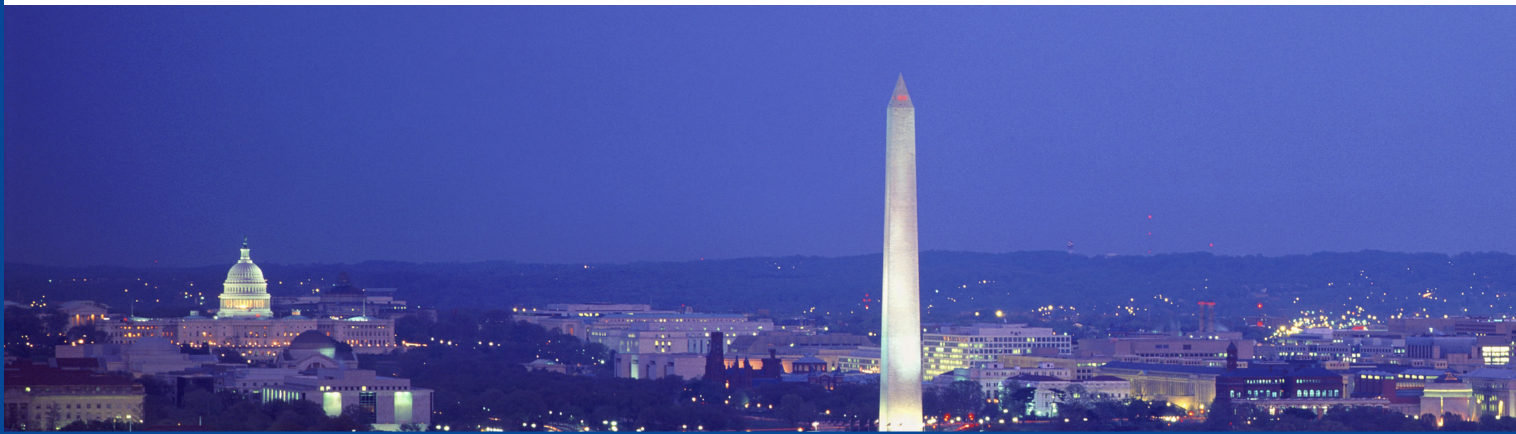


PRIVATE ACTIVITY BONDS (PABS)/ MUNICIPAL BONDS

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.

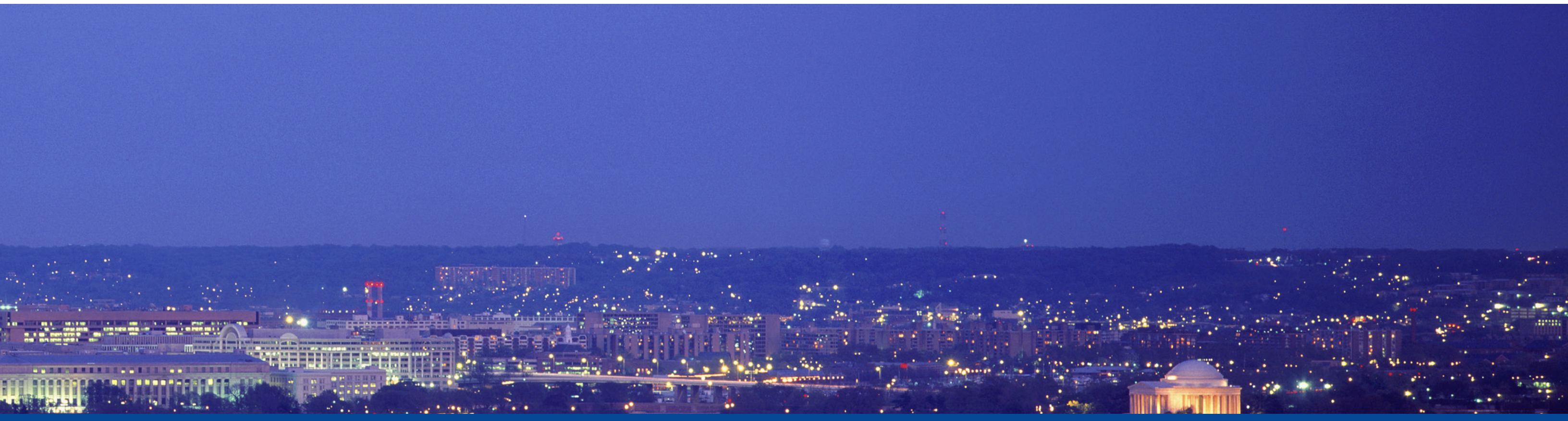
- NALHFA supports the preservation and enhancement of all tax-exempt housing bonds.
- NALHFA supports approaches to promote the expanded use of tax-exempt housing bonds, including lifting the volume cap, exempting affordable housing preservation projects from counting towards the cap and expanded bond 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 16.5 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 Housing Credit program has been one of the most successful tools for rental housing production; however, the current authority available is not enough to adequately respond to affordable housing needs and increasing demands on the program

- NALHFA supports the passage of the Affordable Housing Credit Improvement Act which would increase the Low-Income Housing Tax Credit (LIHTC) and enhance the effectiveness of the most successful tool available for incentivizing private investment in the production and preservation of affordable housing.
- NALHFA supports 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), HUD addresses FHA loans that use DPA programs funded by governmental entities and outlines a decrease in default rates attributed to these governmental DPA 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.

FEDERAL HOUSING ADMINISTRATION (FHA) – HOUSING FINANCE AGENCY (HFA) MULTIFAMILY LOAN RISK-SHARING FEDERAL FINANCING BANK (FFB) PROGRAM

The Federal Housing Administration (FHA) – Housing Finance Agency (HFA) Multifamily Loan Risk-Sharing Federal Financing Bank (FFB) 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.

Treasury and HUD finalized an agreement in 2021 to restart FFB's 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 conducted a survey of members in 2022 garnering a 100% positive response when asked whether the FFB Risk Sharing program should be made permanent by congressional action. When asked if Ginnie Mae should be permitted to create a risk-share program, members also responded unilaterally for congressional action that would allow the program to become operational.

- NALHFA supports the continuation and extension of the Multifamily Loan Risk-Sharing Federal Financing Bank Program and passage of federal legislation to make the program permanent.
- NALHFA supports congressional action to create a permanent Ginnie Mae risk-sharing program.

HOME INVESTMENTS PARTNERSHIPS (HOME) AND THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) 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.

In the wake of the COVID-19 pandemic, HOME received $5 billion of funding through HUD under the American Rescue Plan (ARP). With this increased funding greater assistance has been provided to vulnerable communities by increasing affordable housing, rental assistance, supportive services and non-congregate shelter to reduce homelessness and increasing housing stability nationwide.

- NALHFA supports policies that strengthen and expand the HOME Program to help American families access affordable housing.
- NALHFA supports continued focus on allocated HOME ARP funding utilization to support vulnerable communities by providing clear guidelines on future opportunities for program funding and eliminating any provisions that would narrow eligibility qualification for affordable housing developments.

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.

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 a source of relief for individuals as well as the economy. In order to provide this infrastructure for vulnerable communities, it is essential to have strong supply chain support to generate necessary materials for housing developments. Federal resources geared towards bringing consistency of supplies to affordable community projects is paramount. 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.

The Biden Administration's Housing Supply Action Plan aims to increase assistance to underfunded communities who are most in need. The Administration's plan incorporates federal agency and congressional action to address affordable housing availability through multiple regulatory rulings and proposed legislative action. A successful implementation of the president's plan would result in new affordable homes and the preservation of existing low-income units.

- NALHFA supports federal policies that, due to pandemics and other drastic economic circumstances, support local communities, drive supply chain best practices for affordable housing and protect especially vulnerable populations from homelessness.
- NALHFA supports the advancement of the Biden Administration's Housing Supply Action Plan to preserve affordable housing and assist low income communities in achieving relief through federally funded programs.

HOUSING CHOICE VOUCHERS

Housing Choice Vouchers (HCV) are an important resource for low-income Americans in need of affordable housing options. Also known as tenant-based Section 8, HCV 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.

As part of ARP, HUD awarded $1.1 billion to public housing authorities (PHAs) for administering the newly created Emergency Housing Voucher (EHV) program. HUD allocated these vouchers to communities with the greatest need for EHVs and where local housing authorities demonstrated capacity to administer this vital assistance. The EHV program serves geographically diverse housing needs, from high-cost urban areas to a large number of rural communities. EHV funding gives communities significant resources to assist individuals and families who are homeless; at risk of homelessness; fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking; or recently homeless. EHVs also help individuals and families find housing and remain stably housed long-term.

- NALHFA supports the protection and expansion of HCV, housing search support and post move-in assistance associated funding for both the EHV and HCV programs.
- NALHFA supports the expansion of HCV and EHV programs to Section 811 housing properties.

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.

Recent draft solicitation released by HUD jeopardizes the role HFAs play in PBRA administration by regionalizing the Performance-Based Contract Administrator functions currently carried out by HFAs or public housing authorities. If codified, this approach would divide contract administration responsibilities amongst 15 Housing Assistance Payments (HAP) Contract Support Services. HFAs would be limited participants in bidding on PBRA payments, contract renewals and responses to tenant complaints after historically serving as facilitators carrying decades of expertise and long-term relationships with the communities they serve. PBRA has a long history of serving populations most in need of housing. HUD prioritizing the preservation and strengthening of local stakeholder engagement of this program is an effective means of investing in housing infrastructure.

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.
- NALHFA supports HUD rescinding proposed solicitation of HAP and urges the department to reconsider guidance that strengthens local stakeholder engagement in PBRA.

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.

The Inflation Reduction Act (IRA) of 2022 opened new opportunities for federal funding. With increased focus on climate friendly initiatives, the Biden Administration has placed a priority on generating projects that improve green affordable housing. The IRA created HUD's Green and Resilient Retrofit Program (GRRP) which aims to provide energy or water efficiency, enhanced indoor air quality or sustainability, the use of zero-emission electricity generation, supplying low-emission building materials, increasing energy storage, building electrification strategies and establishing overall housing climate resilience. HUD's GRRP is specifically geared toward Section 8 PBRA, Section 811 Housing for Persons with Disabilities and Section 202 Housing for the Elderly.

- NALHFA supports policies that support the robust expansion of affordable housing resources available to local governments.
- NALHFA supports the Biden Administration's green housing policies and collaboration with federal agencies to

increase funding for low-income climate resilient community infrastructure and generate opportunities for vulnerable housing developments

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) published 2022-2024 Underserved Markets Plans for Fannie Mae and Freddie Mac under the Duty to Serve (DTS) Program. The DTS plans demonstrate a strengthened commitment to serving manufactured housing, affordable housing preservation, and rural housing. The targets and strategies in the plans build on lessons learned and progress made during the first four years of the DTS program.

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.

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