NALHFA
National Association of Local Housing Finance Agencies

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June 25, 2020

The Honorable Mitch McConnell
Majority Leader
317 Russell Senate Office Building
Washington, DC

The Honorable Chuck Schumer
Minority Leader
322 Hart Senate Office Building
Washington, DC

The Honorable Nancy Pelosi
Speaker of the House
1236 Longworth House Office Building
Washington, DC

The Honorable Kevin McCarthy
Minority Leader
2468 Rayburn House Office Building
Washington, DC

Dear Leader McConnell, Leader Schumer, Speaker Pelosi, and Leader McCarthy,

The National Association of Local Housing Finance Agencies (NALHFA), founded in 1982, 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, consultants, financial advisers, bond counsel, and rating agencies, which help in producing housing from concept to completion.

I am writing today on behalf of NALHFA to respectfully urge Congress to take immediate action to combat what was already a national affordable housing crisis prior to the COVID-19 pandemic to 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 calls on Congress to take the follow actions, including as part of any additional "Phase 4" relief legislation:

Support COVID-19 impacted vulnerable populations with emergency rental assistance and by increasing funding for federal housing programs

Allocate additional Housing Choice Vouchers to protect vulnerable renters - A major allotment of new Housing Choice Vouchers is needed to help families keep more of their incomes for other essentials like food, medicine, education, child care, and transportation. The Housing Choice Program is the best vehicle for rental assistance to help COVID-19 impacted households facing housing instability. It has the ability to be scaled up and be implemented quickly to get assistance to households quickly. We ask for the vouchers to be permanent or non-renewable to address the immediate and long-term needs of the COVID-19 impacted vulnerable households.

Provide At Least $14 Billion in supplemental HOME funding - In order to meet multiple short and long-term affordable housing needs, we recommend that the Home Investment Partnerships Program (HOME) receive $14 billion in supplemental appropriations. HOME is a proven affordable housing program for delivering resources to communities of all sizes and is very flexible and versatile in use. It can be used to fund multifamily construction, tenant-based rental assistance, homeowner assistance, down payment help, and more. The pandemic has caused an increase in unaccounted for operating and construction costs due to increased cleaning, staffing costs, insurance premiums, as well as construction and lease up delays. This supplemental allocation will help cover these unaccounted costs and will provide states and localities a flexible tool to address emerging housing needs related to COVID-19.

Support homeowners through mortgage assistance and forbearance

Create a national Housing Assistance Fund (S. 3620) **-**A national Housing Assistance Fund would provide $75 billion through state Housing Finance Agencies to help avoid a housing default, foreclosure, and eviction crisis for lower-income homeowners and renters due to the COVID-19 crisis, while also protecting available single-family homes from a wave of predatory acquisitions This fund would work in a similar fashion to the successful Troubled Asset Relief Program's Hardest Hit Fund (HHF) created during the Great Recession. The Department of Treasury established the HHF program in 2010 to help stabilize the housing market and assist homeowners facing foreclosure in the states hardest hit by the housing crisis. Through HHF, the Treasury has obligated a total of $9.6 billion in Trouble Asset Relief Program funds to 19 state HFAs.

Many homeowners impacted by COVID-19 related financial hardships are currently missing mortgage, tax, and utility payments. While delayed repayment options may become available in the months ahead, these plans will not present viable paths to address substantial accumulated arrears for many low-income homeowners, who will likely face foreclosure without targeted assistance.

Support landlords and tenants through a Federal Emergency Building Stabilization Fund

Create a national Emergency Building Stabilization Fund – A national Emergency Building Stabilization Fund would support operations and provide tenants with protections in buildings experiencing a drastic loss of rental income due to COVID-19. This approach would support tenants and building owners by providing funds to cover buildings' shortfalls accumulated during the height of the crisis and guarantee new protections for tenants. Without federal relief for building owners, this crisis could cause widespread multifamily foreclosures and result in the displacement of households most affected by the health crisis – many of whom are essential workers and/or those with little to no other options for housing. We strongly believe without building operating supports, many affordable rental housing buildings could be acquired by predatory investors because the properties have become unsustainable for small landlords. Not only would this lead to the loss of invaluable affordable housing units forever, but also tenants in these buildings would be in great jeopardy of eviction and displacement.

> To qualify, an owner must demonstrate that its property experienced a significant financial hardship during the pandemic, such as a decrease in monthly revenue of at least 25%. Financial assistance could be made available as either 0% forgivable loans or as refundable tax credits (depending on the property's particular needs).
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> Owners would be ineligible for loan forgiveness or receipt of the refundable tax credits if, at the end of the benefit term, they:
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> - Had evicted any residential or commercial tenant for non-payment of rent;
> - Had increased the rent on any residential or commercial tenant;
> - Distributed funds to investors; or
> - Owed property tax or utility arrears.

Support the housing finance market through financing tools

These resources would help stabilize the housing finance market and spur economic recovery, growth, and job production. In addition, before the COVID-19 pandemic, the nation faced an affordable housing and homelessness crisis, now more than ever, we need more resources to build and preserve affordable housing.

Create a Multi-Family Servicer Facility – Create a broad Federal Reserve funding facility for servicers of multi-family loans to advance funds to cover shortfalls in monthly payments for Ginnie Mae, Fannie Mae, Freddie Mac, commercial mortgage-backed securities (CMBS), Federal Financing Bank (FFB) state and local housing finance agencies (HFAs) and banks or otherwise insured by any agency of the Federal government (such as FHA or RD) or state mortgage insurance funds. By advancing funds on behalf of multi-family property owners at 0% interest, not due until the end of the mortgage period, this approach not only helps stabilize multifamily buildings but it also protects tenants. It would provide for some tenant rent areas forgiveness.

Provide Liquidity for Multifamily and Single Family Servicers – We ask Congress to endorse the HEROES Act's provision of liquidity for single-family and multi-family loans which would provide greater flexibility in lending.

Set the 4 percent minimum rate in the Low Income Housing Tax Credit program - The Housing Credit is the single most powerful federal tool to finance the creation and preservation of affordable housing, an activity that generates jobs, local tax revenue, and additional economic benefits to communities. Setting the 4 percent minimum rate would add certainty for investors and developers over the current precarious floating rate, and bring additional private equity to affordable housing projects. Recent market fluctuations have impacted the ability to finance housing with the 4 percent LIHTC program because of the floating rate – hitting an all-time low in March (3.17), and then again for June (3.07). Enacting a minimum 4 percent Housing Credit rate would provide parity to the 9 percent Housing Credit rate, for which Congress enacted a minimum rate as part of the response to the 2008 economic collapse. This would help ensure projects remain financially viable and that these much-needed homes will move forward.

Lower the "50 percent test" bond financing threshold for 4 percent Housing Credit developments - The "4 percent" Housing Credit is available for developments that receive 50 percent or more of their financing from Private Activity Bonds, and such developments are responsible for roughly half of all Housing Credit developments. However, unexpected and increased project development costs due to delays caused by the pandemic are jeopardizing properties' ability to assemble enough bond financing to meet the "50 percent test," which puts at risk the properties' access to associated Housing Credit equity. Lowering the 50 percent threshold would allow more developments the ability to move forward despite these disruptions related to the pandemic. It would also increase affordable housing production by allowing more developments to access 4 percent Housing Credits.

Revive the US Treasury Federal Financing Bank & HUD Risk-Sharing partnership - The Federal Financing Bank (FFB) partnered with HUD's Federal Housing Administration to create the Housing Finance Agency Multifamily Loan Risk-Sharing Program, which has proven to be a highly successful model for affordable housing production. Low cost capital, distributed through a strong network of state and local Housing Finance Agencies, is an efficient way to leverage private investment as well as state and local government resources, with reduced risk to the federal government. More than a dozen states participated in FFB & Risk-Sharing, and interest was growing among other states as well. Nearly 25,000 affordable homes were financed with FFB Risk-Sharing nationwide between 2015 and when the program lapsed at the end of 2018. Benefits of FFB & Risk-Sharing to affordable housing include increased efficiency in financial executions, which leads to more affordable homes, lower rents, and more renovations.

Provide Direct Aid to Local Municipalities

Direct federal aid to local municipalities for lost revenues and expenses - City shutdowns and other efforts to flatten the curve have undoubtedly saved lives, but they also have severely impacted city and state finances. Sales taxes, income taxes and user fees have dropped dramatically, while at the same time municipal and state spending on the emergency response (health care, housing, education, social services) has skyrocketed as state and local governments continue to respond to this pandemic and safeguard our citizens. As a result of this imbalance, many state and local cities will be forced to cut or eliminate essential services in the midst of a global pandemic. The cities and states depend on tax revenues and fees to fund critical services, including police, firefighting, sanitation, maintaining infrastructure, and funding our healthcare and education systems. These services are vital to the health and safety of our citizens as well as essential to businesses. Cities and states across the United States must have access to direct aid in order to maintain critical services. There will be no national economic recovery, if cities and states don't recover.

Expand Liquidity Relief to Municipalities- Congress through the CARES Act granted municipalities access to a Federal Reserve Bank short term liquidity facility. As the country continues economic recovery efforts, we ask Congress to provide longer term access to this liquidity facility to help housing agencies continue to fill funding gaps beyond September of this year.

These resources would help stabilize the housing finance market and spur economic recovery, growth, and job production. In addition, before the COVID-19 pandemic, the nation faced an affordable housing and homelessness crisis. Now more than ever, we need more resources to build and preserve affordable housing and NALHFA stands ready to assist in crafting these important policies.

We call on Congress to act now in support of our members and the communities in which they serve.

Thank you for the opportunity to provide comment on this issue. For any questions, please contact me at 202-367-2496 or email jpaine@nalhfa.org.

Sincerely,

Jonathan M. Paine, CAE
Executive Director