

1
2 BOARD OF DIRECTORS
3 OF THE CALIFORNIA HOUSING FINANCE AGENCY

4 RESOLUTION NO. 18-13

5
6 RESOLUTION IN SUPPORT OF A REQUEST TO THE FEDERAL GOVERNMENT FOR
7 THE EXTENSION OF THE AFFORDABLE HOUSING FINANCING PARTNERSHIP
8 AMONG THE FEDERAL FINANCING BANK (“FFB”), THE UNITED STATES
9 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (“HUD”) AND STATE
10 HOUSING FINANCE AGENCIES
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12 WHEREAS, the Board, by this resolution, confirms its support of the Executive
13 Director’s intention to make a federal appropriations requests through Congress, that will enable
14 the California Housing Finance Agency (“Agency”) to carry out its mission “To create and
15 finance progressive housing solutions so more Californians have a place to call home” in
16 partnership with the federal government.
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18 WHEREAS, the Agency has participated in the Federal Housing Administration
19 (“FHA”) – Housing Finance Agency (“HFA”) Multifamily Risk Sharing Program (“Risk
20 Sharing Program”) since 1994; and
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22 WHEREAS, under the Risk Sharing Program, loans underwritten by HFAs
23 receive full FHA insurance and in the event of a default, regardless of the amount of risk of loss
24 that the HFA retains, the FHA immediately pays the full unpaid balance of the loan to the HFA
25 enabling it to pay off any bonds or other financing underlying the loan; and
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27 WHEREAS, despite the very low risk involved in Risk Sharing loans, bonds used
28 to fund these loans are difficult to sell, requiring higher interest rates, because of a statutory
29 provision that prohibits the securitization of loans insured under the Risk Sharing Program by
30 the Government National Mortgage Association (“Ginnie Mae”), which provides a credit
31 enhancement that is attractive to investors and thereby lowers the bond rate to the lender; and
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33 WHEREAS, Ginnie Mae securitization is available to private lenders; and
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35 WHEREAS, in response to the Great Recession, the insufficient supply and loss
36 of affordable housing, and the inability to issue bonds to finance affordable multifamily rental
37 housing, in 2014, HUD and the United States Treasury Department, through the FFB, initiated
38 the HUD/FFB HFA Multifamily Risk Sharing Program (“HUD/FFB Program”) pending its
39 pursuit of a legislative change to permit Risk Sharing loans to be securitized by Ginnie Mae; and
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41 WHEREAS, under the HUD/FFB Program, FFB provides capital for multifamily loans
42 insured under the Risk Sharing Program and provides long term financing at rates benchmarked
43 to Ginnie Mae rates; and
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45 WHEREAS, the FFB’s funding is fully insured by the FHA, with any potential losses
46 apportioned between the HFA and HUD; and
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1 WHEREAS, financing at Ginnie Mae rates enables HFAs to finance more affordable
2 multifamily housing developments and units and reduces the need for gap financing to make
3 these developments viable; and
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5 WHEREAS, the Agency has funded 26 developments and created or preserved
6 2,752 units under the HUD/FFB Program; and
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8 WHEREAS, the Agency has executed hundreds of risk sharing transactions
9 between both the Risk Sharing Program and the HUD/FFB Program and has never incurred a
10 loss, resulting in no impact upon the funds set aside by HUD for either program, even through
11 the Great Recession; and
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13 WHEREAS, HUD has stated that the HUD/FFB Program is no longer necessary
14 and has been working to wind down this program on the premise that bond financing rates have
15 recovered enough to be competitive with Ginnie Mae rates. However, HUD is incorrect. In
16 today's market there is still a 50 to 60 basis point gap between HFA bond financing and the
17 HUD/FFB Program resulting in a loss of as much as 10% of loan proceeds that could be used to
18 finance more affordable housing (e.g., \$1.54 million less for \$15 million of bonds issued under
19 today's rates) and necessitates the use of greater amounts of secondary or subsidized financing;
20 and
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22 WHEREAS, the Executive Director intends to make a federal appropriations
23 request through Congress, that HUD increase its direct lending authority under the HUD/FFB
24 Program by \$1 billion and extend the term until at least September 30, 2021 to enable Congress
25 to consider lifting the prohibition against Ginnie Mae securitization under the original Risk
26 Sharing Program; and
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29 NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the
30 California Housing Finance Agency as follows:
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32 The Board supports the Executive Director's intention to make a federal appropriations
33 request through Congress, that HUD increase its funding under the HUD/FFB Program by \$1
34 billion and extend the term until at least September 30, 2021 to enable Congress to consider
35 lifting the prohibition against Ginnie Mae securitization under the original Risk Sharing
36 Program.
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SECRETARY'S CERTIFICATE

I, Marc J. Victor, the undersigned, do hereby certify that I am the duly authorized Acting Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 18-13 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 15th day of March 2018, at which meeting all said directors had due notice, a quorum was present and that at said meeting said resolution was adopted by the following vote:

AYES: AVILA FARIAS, SCHAEFER (for CHIANG), ONODERA (for COHEN), GALLAGHER, GUNNING, HUNTER, METCALF, von KOCH-LIEBERT (for PODESTA), PRINCE, RUSSELL, SOTELO

NOES: None.

ABSTENTIONS: None.

ABSENT: JOHNSON-HALL

IN WITNESS WHEREOF, I have executed this certificate hereto this 15 day of March 20 18.

ATTEST:



MARC J. VICTOR
Acting Secretary of the Board of Directors of the
California Housing Finance Agency