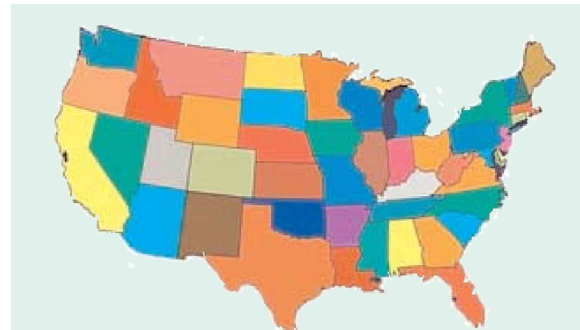
State Housing Finance Agencies (HFAs)

State Housing Finance Agencies (HFAs) were created to address the affordable housing needs of low- and moderate-income persons by lending money for home purchases by first-time homebuyers and the development and preservation of affordable rental housing.

In 1960, New York became the first state to create a housing finance agency. All states except Arizona, Hawaii and Kansas established a HFA before 1983. Today, each state, including the District of Columbia, Puerto Rico and the Virgin Islands, has a HFA.

A significant part of HFA activity is centered around two federally authorized programs. Congress allocates federal authority to issue **Tax-exempt Private Activity Bonds** and **Low-Income Housing Tax Credits (LIHTC)** to each state to support affordable housing programs, and HFAs then administer these programs on behalf of their state government.



In 2000, the average price of an MRB-financed home was $87,000 vs. $176,200 for of the average cost of conventionally-financed homes.

The average income among MRB buyers was $34,279 (68 percent of national median income or half that of conventional homebuyers).

- **Tax-exempt Private Activity Bonds** may be issued by states to support a variety of affordable housing and economic development activities. Bonds are sold subject to overall annual volume caps established by Congress and regulations issued by the IRS. HFAs are allocated a portion of their state's annual volume cap to sell the following two types of tax-exempt bonds to fund mortgage loan programs:

Mortgage Revenue Bonds (MRBs)

These bonds are limited to serving first-time homebuyers who earn no more than the area or statewide median income (115 percent of area or statewide median income for households of three or more persons). State and local governments sell tax-exempt MRBs and use the proceeds to finance discounted mortgages for lower income first-time homebuyers. State HFAs issued nearly $10.8 billion in MRBs to finance more than 106,000 home loans in 2000, compared to $10.3 billion in MRBs and 117,000 loans in 1999.

Rental Housing Bonds

These bonds are used to fund loans for the construction or rehabilitation of rental housing serving low-income households. At least 40 percent of the rental units in a development must serve households with incomes below sixty percent of the area median income. Alternatively, a developer may choose to have 20 percent of the units in the development serve households with income below 50 percent of area median. Developments financed with tax-exempt bonds automatically qualify to also receive federal Low-Income Housing Tax Credits.

- **The Low Income Housing Tax Credit program** was created to help developers offset costs related to construction and rehabilitation of apartments that are too costly to rent at rates that low-income families can afford. The LIHTC induces nearly $7 million of private investment annually to produce more than 125,000 apartments with rents affordable to low-income families and the elderly for a period of at least 30 years. Since LIHTC's inception in 1987, state HFAs have allocated more than $4.6 billion in housing credits to help finance more than 1.1 million low-income apartments.

Many HFAs also administer other federal programs including the HOME Investment Partnerships block grant, Housing Choice Vouchers (Section 8), homeless assistance grants, rural housing programs, Community Development Block Grants (CDBG) and lead-hazard control.

In addition to administering federal programs, HFAs have designed hundreds of affordable housing programs to provide vital assistance to lower-income, first-time buyers, renters and special needs populations such as the elderly, disabled and homeless in their respective states.

Source: 2000 National Council of State Housing Agencies Fact Book and the National Association of REALTORS®

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