U.S. Department of the Treasury
U.S. Department of Housing and Urban Development

Q&A: Treasury-HUD Affordable Rental Housing Financing Partnership

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What is the affordable rental housing financing partnership that Secretary Lew announced?

- Under the partnership, the Federal Financing Bank (FFB) will provide financing for multifamily mortgage loans insured by HUD's Federal Housing Administration (FHA) under its Multifamily Mortgage Risk-Sharing program.
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How will the partnership help affordable rental housing?

- The economic crisis made it significantly harder to find affordable rental units as the demand for rentals has increased. At the same time, affordable multifamily rental properties have become more difficult to finance.

- These constraints on the mortgage and rental markets persist despite a significant government presence in the housing market, both through FHA and other government insured loans, and our continued capital support for the GSEs.

- The new partnership between Treasury and HUD will help create and preserve more decent rental housing by significantly reducing financing costs for affordable multifamily apartment buildings compared to the cost of tax-exempt bonds under current market conditions.

- The proposed partnership would support the supply of affordable rental housing by: (1) increasing the number of subsidized affordable units built and preserved; and (2) increasing the financial sustainability of affordable, unsubsidized properties.

What is FHA's Multifamily Mortgage Risk-Sharing program?

- FHA's Multifamily Mortgage Risk-Sharing program (Risk Sharing) offers an important opportunity to support affordable multifamily housing. Historically, this program has been very successful, with over a thousand multifamily Risk-Sharing loans originated by HFAs since the program was established in 1992.

- Under Risk-Sharing, state and local housing finance agencies (HFAs) underwrite and make loans, HUD/FHA insures them, and the insured loans are usually sold to investors in the tax-exempt bond market. The HFA lender and FHA share any loss if a loan fails.

What is the Federal Financing Bank (FFB)? How much money will it backstop?

- The FFB is a government corporation, under the general supervision and direction of the Secretary of the Treasury, created by Congress to help Federal agencies efficiently finance their programs at the lowest cost to the taxpayer and maintain orderly government securities markets. The FFB is authorized to purchase (i.e., to fund) any obligation that is fully guaranteed by another Federal agency.

- FFB transactions are included in Treasury's borrowing requirements, since the FFB makes its loan disbursements by obtaining funds from the Treasury. However, FFB participation in the FHA multifamily Risk-Sharing program should not materially affect Treasury's debt management or the debt subject to limit. At its peak in FY 2011, annual Risk-Sharing commitments totaled $780 million – more than twice the volume in FY 2010, FY 2012 or FY 2013.

Does the announcement of this partnership mean that the Administration is no longer committed to Congress passing legislation to permit Ginnie Mae to securitize Risk-Sharing loans?

- No. The Administration has urged Congress to permit Ginnie Mae to securitize FHA Risk-Sharing loans. But until Congress takes action, Secretary Lew is directing the FFB to use its authority to provide financing for these FHA-insured loans.

- FFB financing represents an alternative way for HUD/FHA to achieve the same policy goal. Unlike Ginnie Mae, FFB would not securitize the loans; rather, as currently contemplated, FFB would purchase certificates or securities evidencing undivided beneficial ownership interests in HUD/FHA-insured loans.

Why have you chosen the New York City Housing Development Corporation as the first partner? When does the deal close?

- The New York City Housing Development Corporation (NYC-HDC) has worked extensively with HUD/FHA Risk Sharing, Treasury's New Issue Bond Program, tax-exempt bonds, and other multifamily housing financing structures. We anticipate closing a first financing in the fall.

After NYC-HDC, will other Housing Finance Agencies have the opportunity to participate in this partnership?

- The partnership will make funds available to other HFAs that meet the qualifications for the Risk-Sharing program and that sign an agreement in accordance the HUD/FHA's program requirements.

- Treasury and HUD officials will monitor the partnership over time to assess whether FFB financing is meeting the intended policy goals and to determine whether it should continue.