Federal Housing Policy and Budget Trends

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MFA Act Oversight Committee
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MFA
Housing New Mexico

Current Context for Housing Policy

- **Presidential Elections**
  - Congress in recess until after Labor Day
  - Lame duck session

Good recent progress but *future policy environment is unknown*.

- **Speaker of the House Paul Ryan**
  - New speaker attempting to restore regular order to the budget process and unify House Republicans around a policy agenda
  - Compromises struck during his election as Speaker continue to be debated
- **Major progress on housing policy**
  - 9% housing tax credit rate fixed in the FY 2016 Omnibus Spending bill
  - Funding for HOME stable in FY 2016 and likely in FY 2017
  - Bipartisan legislation—Housing Opportunity through Modernization Act passed both houses unanimously(!)
  - Housing tax credit legislation introduced
- **New research informing policy**
  - Rental crisis
  - Housing as a significant factor in opportunity

MFA’s Federal Priorities

1. **Protect Housing Bonds and the Housing Credit in tax reform**

2. **Expand the Low-Income Housing Tax Credit (LITHC) program**
   - Increase the program by 50 percent
   - Fix the nine and four percent credit rates
   - Give states the option to convert private activity bonds authority into tax credits

3. **Sustain funding levels for affordable housing programs**
   - Restore funding for the HOME Investment Partnership program
   - Support weatherization programs

4. **Allow Ginnie Mae Securitization of multifamily Risk Sharing loans**

Why does MFA care about federal policy?

- Federal funding consistently makes up a substantial part (20 percent) of MFA’s resources.

How do we make our needs known?

- Federal liaison position
- Membership in NCSHA, industry association
- Constant monitoring of legislation and policy
- Annual visits with our Congressional Delegation

Comprehensive Tax Reform

MFA Priority

Protect Housing Bonds and the Housing Credit in tax reform

Relevant Issues

- No expectation of comprehensive tax reform during this Congress but expected to be a focus for the new Administration/Congress
- House Republican Tax Reform Task Force released its blueprint for tax reform (*A Better Way: A Pro-Growth Tax Code for All Americans*) on June 24:
  - Silent on both the Low Income Housing Tax Credit and tax-exempt bonds
  - "Generally eliminates special-interest deductions and credits in favor of lower tax rates for all businesses and eliminating taxes on business investment."
  - Specifically retains only the research and development tax credit, mortgage interest deduction, charitable deduction and earned income tax credit

Low Income Housing Tax Credit

MFA Priorities

- *Fix the nine and four percent rates for the Low-Income Housing Tax Credit program*
- *Give states the option to convert private activity bonds authority into tax credits*

Relevant Issues

- Fixed rates provide stability and predictability for owners and investors of housing credit developments and eliminate risk of current floating rate system
  - FY 2016 Omnibus Spending and Tax Bill made the 9 percent minimum credit rate permanent.
  - In the past, the rate floated and was fixed retroactively via tax extenders legislation.
- There have been reports of legislation allowing states to convert 18 percent of private activity bond cap to low-income housing tax credits. No progress to date.

Low Income Housing Tax Credit

MFA Priorities

- *Expand the Low Income Housing Tax Credit (LIHTC) Program*
- *Fix the nine and four percent rates for the Low-Income Housing Tax Credit program*

Relevant Issues

- Affordable Housing Credit Improvement Act of 2016 (S. 2962) introduced on May 19 by Senator Maria Cantwell (D-WA) and Orrin Hatch (R-UT)
  - Increases per capita credit authority by 50 percent over 5 years (10 percent per year)
  - Makes permanent the 4 percent rate for acquisition and bond deals
  - Allows income averaging
- Senators Cantwell and Hatch also introduced S. 3237on July 14 under the same name. It is a more comprehensive version of S. 2962 that adds a number of fixes for the program.

Funding Levels for Affordable Housing Programs

MFA Priorities

- *Sustain funding levels for affordable housing programs*
- *Restore funding for the HOME Investment Partnership program*

Relevant Issues

- The Budget Control Act (BCA) of 2011 set annual caps on federal spending. These caps have been problematic because they so tightly constrain funding for domestic programs such as affordable housing.
  - ➢ The Bipartisan Budget Act of 2015 (H.R. 1314) set new topline spending numbers for defense and domestic programs for FY 2016 and FY 2017, increasing funding levels by $50 billion and $30 billion.
  - ➢ Also lifted the debt ceiling by an unspecified amount until mid-March 2017
  - ➢ The Bipartisan Budget Act was negotiated as part of Paul Ryan's election as Speaker of the House—not all Republicans were on board with lifting the BCA caps and they will return in FY 2018 without further action.

Appropriations Process: Status

ADMINISTRATION

The Obama Administration sent its FY 2017 budget to Congress on Feb. 9

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HOUSE

- On May 24, the House Appropriations Committee approved its FY 2017 THUD funding bill
- Level funding for most HUD programs
- Increased funding for Homeless Assistance Grants and the Office of Lead Hazard Controls

SENATE

- On May 19, the Senate passed its FY 2017 THUD funding bill
- Nearly $1.5 million more for HUD programs than in FY 2016
- Level funding for HOME ($950 million)
- Full funding for rental assistance contracts

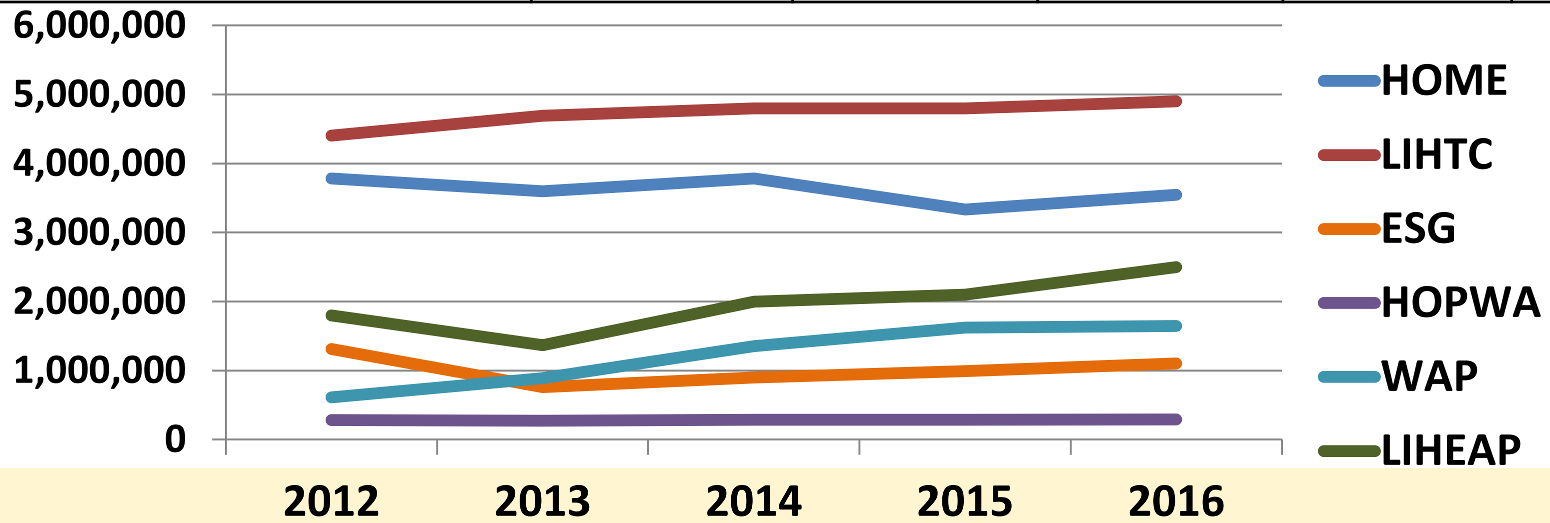
- Both proposed House and Senate THUD appropriations bills are considered favorable. However, to date, no FY 2017 appropriations bills have been passed by both Houses.
- 2016 Presidential election means that lawmakers will remain in recess from July 18 until after Labor Day, leaving very little time to negotiate and pass a budget.
- **Most likely outcome is a Continuing Resolution (CR) that extends current spending levels until after the election.**

Federal Funding for Key Programs

Federal Program ($ in millions)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 (Senate)
HOME Investment Partnerships	1,000	948	1,000	900	950	950
Homeless Assistance Grants	1,901	1,933	2,105	2,135	2,250	2,330
Housing Opportunities for People w/ Aids	332	315	330	330	335	335
Project-Based Section 8 Renewals	9,051	8,577	9,652	9,520	10,405	10,666
Project –Based Section 8 Administration	289	274	265	210	215	235
Weatherization Assistance Program	68	68	184	190	215	221

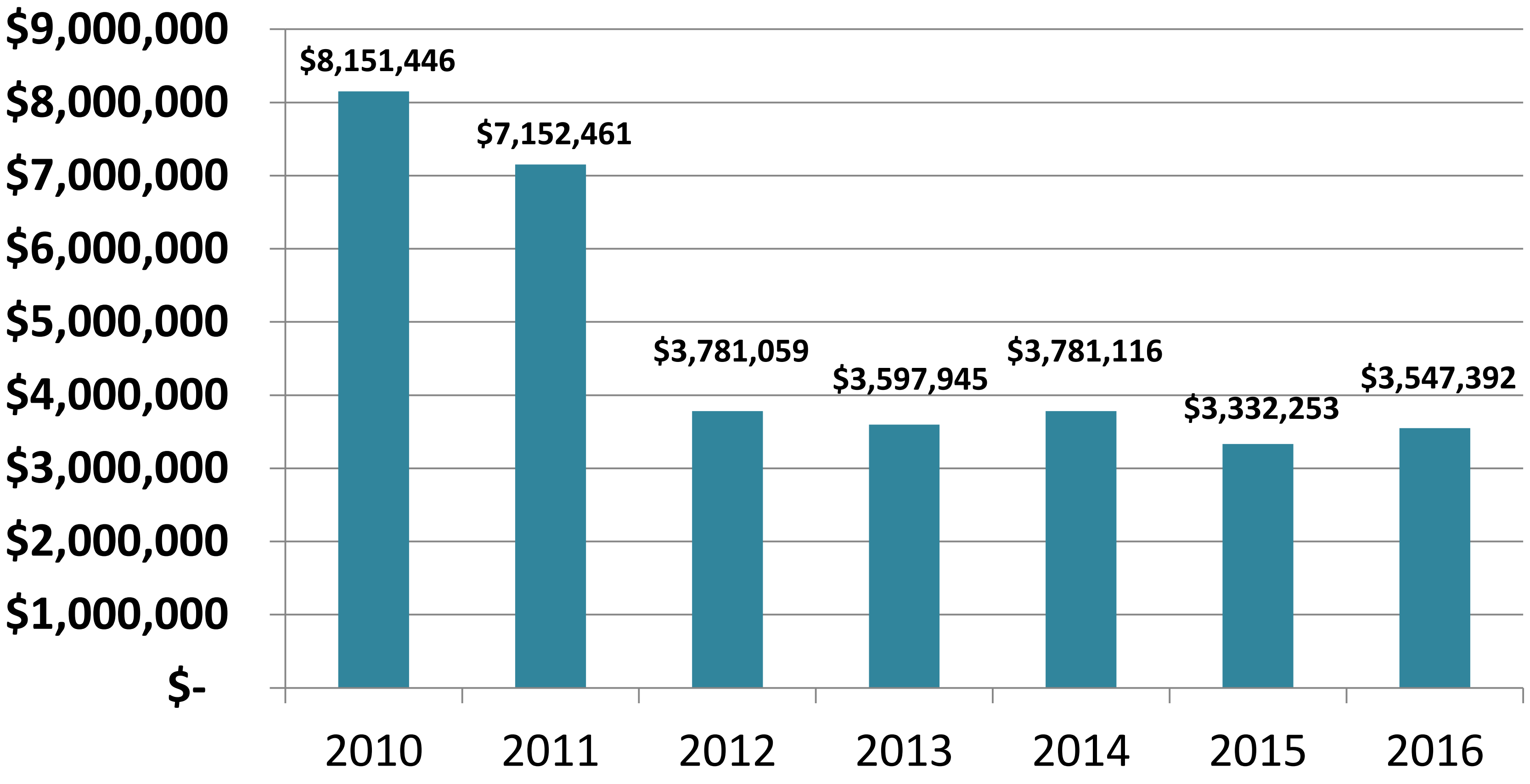
Allocations to MFA

Federal Program	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
HOME Investment Partnerships	3,781,059	3,597,945	3,781,116	3,332,253	3,547,392
Emergency Solutions Grant	1,311,996	757,993	897,007	989,566	1,105,350
Housing Opportunities for People w/Aids	281,585	273,934	288,945	285,515	290,238
Weatherization Assistance Program	610,245	889,637	1,352,532	1,623,996	1,646,802
Low Income Housing Energy Assistance	1,800,577	1,368,000	2,000,000	2,100,000	2,500,000
Low-Income Housing Tax Credits	4,404,920	4,692,461	4,796,160	4,796,737	4,901,094
Project-Based Section 8 (contract)	26,019,329	26,360,457	29,156,636	25,547,564	28,786,659



HOME Funding Cut 56% Since 2010

Used for MFA rehab, down payment assistance, development



Housing Opportunity through Modernization Act (HOTMA)

H.R. 3700, Sponsored by Rep. Luetkemeyer (R-MO)

- Expected to save the government $311 million over five years
- Status: Passed the House (Feb. 2) and the Senate (July 14) unanimously
- Supported by the National Council of State Housing Agencies (NCSHA) and numerous national organizations

Relevant Issues

Simplifies and streamlines rental assistance and single family programs:

- Greater flexibility for public housing authorities (PHAs) to transfer between operating and capital funds
- Option for PHAs to charge fair market rent or terminate assistance for above moderate-income households
- Makes it easier to insure condo mortgages through FHA
- Directs USDA to allow lenders to directly endorse Section 502 guaranteed loans

Other Housing Legislation

First-Time Homebuyer Credit Act of 2016

- S. 3175 introduced on July 13 by Senator Ron Wyden (D-OR)
- Refundable tax credit for first-time homebuyers

Rural Housing Preservation Act of 2016

- H.R. 4908 introduced on April 12 by Rep. Ann McLane Kuster (D-NH)
- Authorizes USDA to provide vouchers to eligible residents in Section 515 properties with pre-paid or maturing mortgages
- 215,000 units are at risk of losing their rental assistance over the next 10 years due to pre-paid or maturing mortgages
- Makes permanent the Multi-Family Preservation and Revitalization Restructuring Program, which acquires and renovates Section 515 properties

Ending Homelessness Act of 2016

- H.R. 4888 introduced on March 23 by Rep. Maxine Waters (D-CA)
- Provides $13.27 billion over five years to housing and services programs with the goal of ending homelessness in America

Proposed House Reforms

Financial CHOICE Act

- Discussion draft released on June 23 by Rep. Jim Hensarling (R-TX)
- Repeals and replaces the Dodd-Frank Act
- Reduces authority of financial regulators to oversee financial institutions

Welfare Reform and Upward Mobility Act

- H.R. 5360 introduced on May 26 by Rep. Jim Jordan (R-OH)
- Replaces means-tested housing programs (rental assistance programs, HOME and all Rural Housing Service assistance programs) with a single state block grant for housing activities

Republican Task Force on Poverty, Opportunity and Upward Mobility:
A Better Way: Our Vision for a Confident America

- Released on June 7 by House Speaker Paul Ryan (R-OH)
- Focuses on reforming the federal welfare system by expanding work requirements, increasing state flexibility, consolidating programs, improving accountability through metrics and fraud reduction and encouraging public-private partnerships

National Housing Trust Fund

- Established through the Housing and Economic Recovery Act of 2008 to produce, preserve and rehabilitate affordable housing for extremely low-income families earning no more than 30 percent of the Area Median Income

- Initial sources for the fund are revenue contributions from the Government Sponsored Entities (GSEs), Freddie Mac and Fannie Mae

- Contributions were suspended when the GSEs went into receivership

- HUD announced guidelines for the program in early 2015, after the GSEs began generating revenue
  - State allocations published in May 2016: New Mexico will receive $3 million
  - MFA's Allocation Plan due to HUD by August 16, 2016; must be approved by HUD within 45 days
  - MFA will develop a more detailed Notice of Funding Availability (NOFA) in the fall of 2016, with awards to follow

Housing and Opportunity

- Rental crisis in America: Increases in the past decade in concentrated poverty and housing insecurity
- Equality of Opportunity Project: Harvard economists led by Raj Chetty find that living in good neighborhoods contributes to upward mobility later in life.
- Evolution of the Fair Housing Act
  - Disparate Impact U.S. Supreme Court Decision: *Disparate impact claims may be used to support plaintiff's claims of alleged Fair Housing Act Violations.*
  - New HUD Affirmatively Furthering Fair Housing (AFFH) Rule: Significantly expands the factors that must be considered when identifying impediments to fair housing choice
  - New guidance from HUD on housing people with criminal backgrounds

Enterprise Long-Term Bipartisan Policy Platform

1. Ensure broad access to high-opportunity neighborhoods
2. Promote comprehensive public and private investments in low-income neighborhoods
3. Recalibrate our priorities in housing policy to target scarce subsidy dollars where they're needed most
4. Improve the overall financial stability of low-income households

FY 2017 Budget Chart for Select U.S. Department of Housing and Urban Development (HUD) and Department of Agriculture (USDA) Housing

HUD Programs *(set asides indented & italicized)*	FY 2015 Enacted Levels	FY 2016 Omnibus	HUD FY 2017 Budget Request	Senate Approp-riations Committee-Approved FY 2017 THUD Bill	$ difference between FY 2016 Omnibus & FY 2017 Senate THUD Bill	% difference between FY 2016 Omnibus & FY 2017 Senate THUD Bill
Choice Neighborhoods Initiative	80	125	200	80	-45	-36%
Community Development Fund	3,066	3,060	2,880	3,060	0	0%
Community Development Block Grant (CDBG)	*3,000*	*3,000*	*2,800*	*3,000*	*0*	*0%*
Other Set-Asides	*66*	*60*	*80*	*60*	*0*	*0%*
Family Self-Sufficiency Program	75	75	75	75	0	0%
HOME Investment Partnerships Program (HOME)	900	950	950[i]	950	0	0%
Homeless Assistance Grants	2,135	2,250	2,664	2,330	80	4%
Housing Choice Vouchers	19,304	19,629	20,664	20,432	803	4%
Voucher Renewals	*17,486*	*17,681*	*18,447*	*18,355*	*674*	*4%*
HUD-VASH Vouchers	*75*	*60*	*0*	*50*	*-10*	*-17%*
Tribal HUD-VASH Vouchers			*7*	*7*	*7*	
Tenant Protection Vouchers	*130*	*130*	*110*	*110*	*-20*	*-15%*
Administrative Fees	*1,530*	*1,650*	*2,077*	*1,769*	*119*	*7%*
Section 811 Vouchers	*83*	*107*	*110*	*110*	*3*	*3%*
Housing Choice Voucher Mobility Demonstration			*15*	*11*	*11*	
Family Unification Program Vouchers				*20*	*20*	
Housing Counseling Assistance[ii]	47	47	47	47	0	0%
Housing for the Elderly (Section 202)	420	433	505	505	72	17%
Housing for Persons with Disabilities (Section 811)	135	151	154	154	3	2%
Housing Opportunities for Persons with AIDS (HOPWA)	330	335	335	335	0	0%
Housing Trust Fund (mandatory spending)	N/AP	N/AP	182[iii]	174iii	N/AP	N/AP
Lead-Based Paint Hazard Reduction	110	110	110	135	25	23%
Native American Housing Block Grants	650	650	700	647	-3	0%
Public Housing Capital Fund	1,875	1,900	1,865	1,925	25	1%
Public Housing Operating Fund	4,440	4,500	4,569	4,675	175	4%
Project-Based Section 8	9,730	10,620	10,816	10,901	281	3%
Contract Renewals	*9520*	*10,405*	*10,581*	*10,666*	261	3%
Contract Administration	*210*	*215*	*235*	*235*	20	9%
Rental Assistance Demonstration	0	0	50	4[iv]	4	
Self-Help & Assisted Homeownership (SHOP)	10	10	10[i]	10	0	0%
Transformation Initiative	0	0	0	0	0	

[i] Up to $10 million is set-aside for SHOP within the HOME account.

[ii] This represents HUD's Housing Counseling program only; NRC National Foreclosure Mitigation's is funded through a separate account.

[iii] The Administration's FY 2017 budget anticipates the launch of the Housing Trust Fund (HTF)in calendar year 2016, estimating that $182 million will be allocated to the HTF this year. HUD's budget includes an assumption that $12 million of this will not be obligated to States by the end of FY 2016, so it will get carried over in to the next year's allocation. On April 4, 2016, HUD announced that $174 million would be available in for HTF first year funding.

[iv] The Administration's FY 2017 budget requests a targeted expansion of Rental Assistance Demonstration (RAD) authority to include Section 202 Project Rental Assistance Contracts (PRAC) properites; the Senate FY 2017 THUD bill provides $4 million for RAD contingent that these funds be used for Section 202 properties.

USDA Programs	FY 2015 Enacted Levels	FY 2016 Omnibus	HUD FY 2017 Budget Request	House Approp-riations Committee Passed FY 2017 Bill	$ difference between FY 2016 Omnibus & FY 2017 House Committee Bill	% difference between FY 2016 Omnibus & FY 2017 House Committee Bill
Section 502 SF Direct Loans	900	900	900	1,000	100	11%
Section 502 SF Guaranteed Loans	24,000	24,000	24,000	24,000	0	0%
Section 521 Rental Assistance	1,089	1,390	1,405	1,405	15	1%
Section 538 MF Guaranteed Loans	150	150	230	200	50	33%
Section 515 MF Direct Loans	28	28	33	35	7	25%
Section 542 Rural Voucher Assistance	7	15	18	18	3	20%

Updated 4/22/2016

The Importance of the Housing Credit to New Mexico

What is the Housing Credit?

The Housing Credit is a federal tax credit created by President Reagan and Congress in the Tax Reform Act of 1986. It offers a dollar-for-dollar reduction in a taxpayer's income tax liability in return for making a long-term investment in the development or rehabilitation of affordable rental housing. State agencies award Housing Credits to proposed low-income housing developments based on selection criteria outlined in the state's Qualified Allocation Plan. The amount of tax credits allocated to a development is based on the depreciable cost of the development or improvements and is collected annually over a 10-year period each year the property is in compliance with state and federal program regulations.

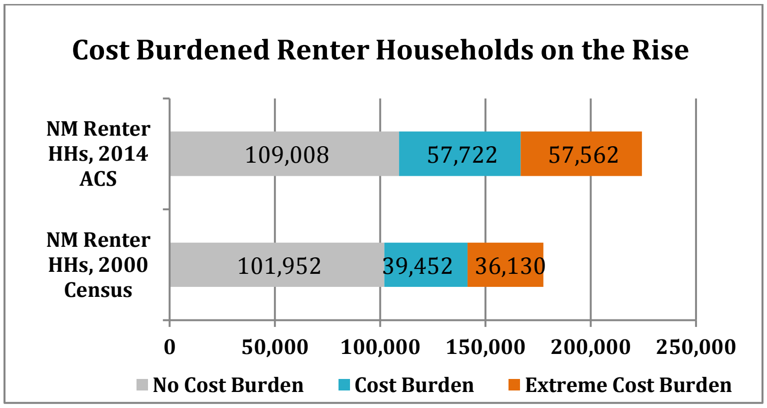
The former Casa Hermosa apartments in Hobbs were in disrepair when upgrades financed by $9 million in federal Low-Income Housing Tax credits and city contributions turned the property around. Now called Park Place, the apartments are a source of community pride.

Why Should Congress Preserve the Housing Credit in Tax Reform?

The Housing Credit is essential to addressing the housing affordability crisis. It accounts for most of the country's new rental housing affordable to low-income people, creating opportunities for millions of families who pay more than half of their income for housing, live in substandard and overcrowded conditions, or have no housing at all. The Housing Credit is also essential to preserving existing affordable housing. When used for rehabilitation, the Housing Credit maintains or extends affordability for properties at risk for rent increases, conversion to market use, deterioration, elimination of income targeting rules, or other circumstances that could remove existing units from the affordable housing stock. Unfortunately, the U.S. has lost roughly 650,000 affordable housing units for these reasons since 2001.

In 2015, MFA provided $80 million in financing for the new construction and acquisition/rehabilitation of 847 affordable rental units. Of this total, $76 million was financed by the Housing Credit, with the remainder financed by other sources packaged with the Housing Credit. **Without the Housing Credit, MFA could not finance affordable rental housing in New Mexico.**

The need to preserve the Housing Credit is particularly urgent given the increase in cost burdened and extremely cost burdened households in the U.S. and New Mexico.



In New Mexico, cost burdened renter households increased by 18,270 or 46 percent between 2000 and 2014. Extremely cost burdened renter households experienced a larger increase of 21,432 or 59 percent. This is consistent with national trends and will continue to exacerbate demand for affordable rental housing.

Cost burdened households are those that pay more than 30 percent of their income in housing costs. Extremely cost burdened households pay more than 50 percent of their income in housing costs. Recent research by Harvard's Joint Center for Housing Studies and Enterprise Community Partners suggests that by 2025, as many as 14.8 million U.S. households may suffer rental cost burdens—a 25 percent increase from today. This unfortunate trend will continue to exacerbate demand for affordable rental housing and widen the gap between the number of available affordable rental units and low-income households in need of housing.

New Mexico's Federal Low-Income Housing Tax Credit (LIHTC) Allocations

Year	NM Population or Pop. Estimate	Credit $ Per Capita	NM LIHTC Allocation
2016	2,085,572	2.35	$4,901,094
2015	2,085,538	2.30	$4,796,737
2014	2,085,572	2.25	$4,796,160
2013	2,085,287	2.25	$ 4,692,461
2012	2,085,538	2.20	$ 4,530,194
2011	2,082,224	2.15	$ 4,427,235
2010	2,059,179	2.10	$ 4,167,148

As shown in the table above, MFA receives an annual allocation of approximately $4.9 million in 9 percent federal Low-Income Housing Tax Credits, which roughly translates into $49 million in private equity investment when taken over the 10-year term of the tax credit. This allocation typically funds four to six of approximately 20 projects submitted through MFA's competitive process each year. In addition, MFA can also finance projects through non-competitive 4 percent tax credits and volume cap allocated by the New Mexico State Board of Finance. All of this financing is made possible by the Housing Credit.

The Importance of Housing Bonds to New Mexico

What are Housing Bonds?

Housing Bonds include mortgage revenue bonds and tax-exempt multifamily housing bonds. These are financing tools used by Housing Finance Agencies (HFAs) like MFA to finance low-interest mortgages for low and moderate-income home buyers and to acquire, construct and rehabilitate multifamily housing for low-income renters. HFAs, as well as other state and local governmental entities, sell private activity bonds to investors at low rates to finance affordable housing. This represents an important public-private partnership as investors provide essential capital for single family mortgages. In return, investors collect tax-free interest over the life of the bond.

How do HFAs use Housing Bonds?

Because interest payments made on Housing Bonds are tax-free, HFAs can pass on the interest savings to home buyers and renters in reduced housing costs.

Why Should Congress Preserve Housing Bonds in Tax Reform?

Traditionally, 90 to 100 percent of MFA's single family mortgage loans and 45 percent of its down payment assistance loans have been financed with tax-exempt housing bonds. Without tax-exempt Housing Bonds, MFA would be limited in its ability to provide mortgage financing to low and moderate-income households, most of who are first-time homebuyers.

After years of renting, the Andersons wanted a home to call their own. But with their expanding family, saving for a down payment was almost impossible.

Through MFA's down payment assistance program and low-interest mortgage loan, the Anderson's dream of owning a home came true. They have a house payment they can afford and stable housing for years to come.

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MFA Supports Ginnie Mae Securitization of Risk-Sharing Loans

About Risk-Sharing

The FHA-HFA Risk-Sharing Program was established by Congress in 1992 to increase and accelerate FHA's multifamily mortgage production. In New Mexico, MFA underwrites multifamily loans insured by FHA in return for accepting a 10 percent risk on the losses of those loans. Since 1995, MFA has closed 52 Risk-Sharing loans totaling $150,000 million to support more than 4,700 rental units.

About Ginnie Mae Securitization

Most FHA-insured multifamily loans are packaged into Ginnie Mae securities issued by lenders. Ginnie Mae guarantees the timely payment of interest and principal, increasing investor interest and driving down the interest rates on the securities and the underlying loans.

Today's tax-exempt bond market makes it challenging for MFA to issue bonds that result in rents affordable to low-income families. Even in a healthy Housing Bond market, MFA needs alternative multifamily financing executions to offer the lowest rates possible to housing developers.

Risk-Sharing Produces Results and Saves Federal Dollars

Pictured Above: Plaza Feliz, a 2012 Risk-Share Project in Albuquerque, NM
With Risk-Sharing, 35 Housing Finance Agencies have financed 1,160 loans, totaling nearly $7.5 billion in principal and supporting more than 126,000 affordable rental homes. Default rates are low and premium revenue has exceeded total claims, generating net revenue to the federal government.

Why Allow Ginnie Mae Securitization of Risk-Sharing Loans

1. **More Affordable Rental Housing in NM:** MFA and other Housing Finance Agencies predict that the interest rate on underlying mortgages could be reduced by as much as 200 basis points, or 2 percent. This means:
   - MFA could make more multifamily Risk-Sharing loans at lower rates.
   - MFA's cost of financing would fall, allowing us to produce more affordable housing units for New Mexico's low to moderate-income households.
2. **Local Economic Impact:** Increased multifamily development will stimulate local economies by creating jobs, tax revenue and expanding investment.
3. **Less Cost to the Federal Government:** The Congressional Budget Office estimated that Ginnie Mae Securitization would result in $20 million in mandatory savings over 10 years or $2 million annually.
4. **No Expansion of Government Role in Affordable Housing:** Ginnie Mae securitization will reduce the risk and involvement of the federal government in affordable housing while increasing the ability of Housing Finance Agencies like MFA to meet the needs of New Mexico's communities with innovative housing products.

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Impact of Ginnie Mae Securitization on a Typical MFA Risk-Share Project

Example 1: Based on Actual MFA Project	**With Ginnie Mae**	**Without Ginnie Mae**	**Difference**
Revenue	539,798	539,798	-
Expenses	326,008	326,008	-
Net Operating Income	213,790	213,790	-
Interest Rate	4.50%	6.50%*	*-2.00%*
Term (in years)	35	35	-
Maximum Loan Amt.	1,711,369	1,340,580	*370,790*
Housing Assistance Payment	571,308	571,308	-
Other Income	9,120	9,120	-
Gross Income	580,428	580,428	-
(less) Vacancy	(40,630)	(40,630)	-
Rental Income	539,798	539,798	-
Operating Expense	303,208	303,208	-
Replacement Reserves	22,800	22,800	-
Total Operating Expenses	326,008	326,008	-
Net Operating Income	213,790	213,790	-
Debt Service	97,190	97,190	-
Net Cash Flow	116,600	116,600	-
Debt Service Coverage	1.20	1.20	-
Example 2: Same Project as Example 1	**With Ginnie Mae**	**Without Ginnie Mae**	**Difference**
Revenue	493,517	539,798	*(46,281)*
Expenses	326,008	326,008	-
Net Operating Income	167,509	213,790	*(46,281)*
Interest Rate	4.50%	6.50%*	*-2.00%*
Term (in years)	35	35	-
Maximum Loan Amt.	1,340,580	1,340,580	-
Housing Assistance Payment	521,543	571,308	*(49,765)*
Other Income	9,120	9,120	-
Gross Income	530,663	580,428	*(49,765)*
(less) Vacancy	(37,146)	(40,630)	*3,484*
Rental Income	493,517	539,798	*(46,281)*
Operating Expense	303,208	303,208	-
Replacement Reserves	22,800	22,800	-
Total Operating Expenses	326,008	326,008	-
Net Operating Income	167,509	213,790	*(46,281)*
Debt Service	76,133	97,190	*(21,057)*
Net Cash Flow	91,376	116,600	*(25,224)*
Debt Service Coverage	1.20	1.20	-

*6.5 percent interest rate is specific to the New Mexico market and is inclusive of MIP, servicing, and cost of forward rate lock. The reduced rate with Ginnie Mae is the all-inclusive rate minus the expected 200 basis point reduction.

By reducing the interest rate on Risk-Sharing loans, Ginnie Mae Securitization would:

Example 1: Allow MFA to increase loan amounts to produce more affordable housing units and decrease the need for federal funding sources such as HUD, USDA and tax credits.

Example 2: Allow MFA to decrease the Housing Assistance Payment (HAP) to target lower rents or generate savings. A HAP decrease of approximately $50,000 will result in savings of more than $1.74 million over the 35 years of the loan.