



New Issue Bond Program: Federal Government Rescues Housing Bond Market

One year ago the housing bond market was in tatters, with Housing Finance Authorities unable to sell bonds. Short term investment rates had dropped so low that the loss on investments of bond proceeds as mortgages were being originated (negative arbitrage) rendered the bond programs economically infeasible. What had once been an effective vehicle for providing affordable 30 year fixed rate financing to first-time homebuyers was out of business.

The federal government rescued the housing bond market with the creation of the New Issue Bond Program (NIBP). This innovative financing structure initiated by the U.S. Treasury, has made bond funds for the purchase of homes by first-time buyers available throughout Florida. Most County HFA's are offering 30 year fixed rate financing at a rate of 5.00% or less, all with significant levels of downpayment assistance. The Florida Housing Finance Corporation is offering 5.25% mortgages with \$5,000 to \$7,500 of downpayment assistance.

With the New Issue Bond Program (NIBP), the Treasury agreed to purchase bonds issued by state and local housing finance agencies. The long term rate could be locked in December 2009, so that mortgages could be offered immediately. However, the Treasury set the short term rate on the bonds during the origination period to the reinvestment rate—totally eliminating negative arbitrage. With these steps, the Treasury provided a buyer for the bonds, low 30 year fixed interest rates for first-time buyers, and elimination of negative arbitrage making the program economically viable.

In Florida, nine County Housing Finance Authorities as well as the Florida Housing Finance Corporation took advantage of the program and issued \$212.15 million of bonds for homeownership. All of the local HFA's utilized their resources to provide downpayment assistance as well. Florida Housing has issued \$425 million of bonds under the program.

ISSUER	ISSUE SIZE	MORTGAGE RATE	DPA	PARTICIPATING COUNTIES
Brevard County Housing Finance Authority	20,770,000	4.99%	\$5,000	Brevard, Clay, Nassau, St. John's, & Volusia
Escambia County Housing Finance Authority	25,000,000	4.79%	\$8,000	Alachua, Citrus, Escambia, Gasden, Hernando, Holmes, Indian River, Jackson, Jefferson, Leon, Marion, Martin, Okaloosa, Okeechobee, Santa Rosa, St. Lucie, Taylor, Wakulla, Walton, & Washington.
HFA of Hillsborough County	20,000,000	4.99%	\$5,000	Hillsborough
Jacksonville Housing Finance Authority	15,000,000	5.20%	4% of sales price	Duval
HFA of Lee County	20,770,000	5.00%	3% of sales price	Lee, Sarasota, Collier, DeSoto, Glades, Hardee, Hendry
HFA of Manatee County	16,610,000	5.00%(1)	4% of sales price	Manatee, Palm Beach
HFA of Miami Dade County	25,000,000	4.82%/4.95%	\$7,500	Miami Dade
Orange County Housing Finance Authority	30,000,000	5.00%/ 5.15%	\$7,500	Orange, Osceola, Seminole, Lake
HFA of Pinellas County	39,000,000	5.175% / 5.75%	\$6,500	Pinellas, Pasco, Polk

Bond programs work through participating private sector lenders, where homebuyers make application for loans. There are also income and sales price limits that vary by county. Current programs:

For more information, contact Patt or Sue Denihan (954-430-6072 or 813-671-7344) for all issues except Lee and Manatee. Contact for Lee County is Phil Harloff (727-567-1033) and the contact for Manatee is Angela Abbott (877-264-0334). [HNN](#)