

**Statement
by**

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before the

**Appropriations Committee
of the
Pennsylvania House of Representatives**

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Good afternoon and thank you for the invitation to meet with you today. I am Robin Wiessmann, Executive Director and CEO of the Pennsylvania Housing Finance Agency.

Created by the legislature in 1972, PHFA is the Commonwealth's leading finance organization for affordable homes and rental apartments. Its core mission is to finance affordable apartments and homes at minimal expense to the Commonwealth through the issuance of securities. PHFA does not generally receive direct appropriations from the Commonwealth for the operations of its programs.

In order to achieve its mission, the Agency operates in the three primary areas of homeownership programs, multifamily development and foreclosure prevention. Statewide, the Agency has provided more than \$17 billion dollars of funding for over 196,000 homebuyer mortgages and a total investment of over \$2.8 billion dollars, including allocations of federal housing tax credits to construct or preserve more than 106,000 affordable apartments. Additionally, the Homeowners' Emergency Mortgage Assistance Program, which PHFA administers for the Commonwealth, has saved over 51,000 homes from foreclosure.

For the benefit of the Members, I would like to present for the record this written testimony which explains in more detail who PHFA is, the permanent programs that it operates, and how they are funded. I have also made available packets of information that detail the Agency's activities in your districts.

Homeownership Programs Since 1982 PHFA has helped over 196,000 low- and moderate-income Pennsylvanians become homeowners by making mortgage money available through a network of participating lending institutions across the state.

The Agency's loans help Commonwealth families buy their first homes by offering competitive 30-year, fixed-rate mortgage loans, offering eligible homebuyers downpayment and closing cost assistance to overcome the biggest hurdle most households face when seeking to purchase a home, and overseeing a statewide network of free homeownership counseling services.

PHFA mortgage funds are available for existing homes, as well as for newly constructed homes.

Funds for our mortgage products come primarily from the sale of Agency bonds to private investors across the nation, not from appropriations. These Agency bonds, known as mortgage revenue bonds, are among the highest rated of their kind in the nation, currently carrying a AA+ rating from Standard and Poor's and a Aa1

rating from Moody's Investor Service, and are repaid by the secured loans that are funded by the bond proceeds.

The Agency also funds its mortgages through the sale of Mortgage Backed Securities guaranteed by Ginnie Mae or Fannie Mae. Because it has access to various funding streams, it is able to offer the most attractive interest rates available as market conditions change.

Additionally, the Agency services all of the loans it funds and maintains a foreclosure rate that is in line with or below the state average. This is due to sound underwriting practices, proactive loan servicing, and debt and delinquency counseling.

Multifamily Development One of the Agency's early initiatives was to providing services that create, fund, manage and promote affordable rental housing development throughout the Commonwealth. More than forty-five years later this remains a core component of PHFA's activities.

The driving force behind rental housing production and preservation in the United States today is the Low-Income Housing Tax Credit (LIHTC). PHFA is the Commonwealth's administrator of the program. In a simplified explanation, tax credits allow housing sponsors to raise private capital to help offset the cost of construction. Because of the LIHTC investment, property owners are required to charge more affordable rents to qualifying tenants and maintain the affordability for a minimum 30 years, or longer based on the agency specified program requirements.

Through a variety of funding sources, PHFA has invested more than \$2.8 billion in multifamily affordable housing including approximately \$787 million in LIHTC credits and more than \$203 million in federal HOME Investment Partnership (HOME) funds. LIHTC credit allocations to the Commonwealth are determined annually by the federal government based on a per capita formula. For 2024 that allocation is estimated to be around \$36 million in credit authority.

In 2020 the General Assembly passed Act 107 which established the Pennsylvania Housing Tax Credit (state tax credits or PHTC) program providing \$10 million annually in state tax credits which the agency allocates to qualified taxpayers for the development of affordable housing. This resource helps to fill the gap needed to create and preserve affordable housing by seeking investment from the private sector in a similar manner to the LIHTC program with state credits being available once the development has been completed. PHFA partners state tax credits with LIHTC to further increase the availability and affordability of rental housing across the Commonwealth. To date, the Agency has conditionally award over \$19.8 million in state tax credits with a third round currently under review.

As of the end of calendar year 2023, the Agency has financed the construction or preservation of over 106,000 affordable housing units throughout more than 2,280 developments across the Commonwealth. These multifamily dwellings are privately owned and pay taxes to the communities in which they are located. They are well-maintained assets in their neighborhoods and are monitored by the Agency throughout the duration of their affordability periods.

Foreclosure Prevention Act 91 of 1983 authorized PHFA to develop the Homeowners' Emergency Mortgage Assistance Program to help certain homeowners who were in danger of losing their homes to foreclosure. This change in PHFA's statute was brought about by an early 1980's recession which led to a large number of foreclosures, particularly in the southwestern part of the state. HEMAP became a national model due to its effectiveness at preventing foreclosure and disruption to people's lives.

HEMAP represents the one program that PHFA has previously received state appropriations for. Since inception, state appropriations have totaled \$245,926,000. It has saved 51,022 homes from foreclosure and provided \$581 million in loans. Also, 27,661 loans have been paid-in-full and HEMAP has received over \$357 million in principal and interest repayments from homeowners who have benefited from the program. These repayments have been recycled into new HEMAP loans, benefiting additional Pennsylvanians.

Designated as a repayable loan program, HEMAP administers mortgage assistance to homeowners who have experienced circumstances beyond their control and who have received notice from their mortgage holder of an intent to foreclose.

When a homeowner with a qualifying mortgage in the Commonwealth becomes 60 days or more delinquent, before foreclosing, lenders are required to send an "Act 91" Notice informing the homeowner of the HEMAP program and including directions on how to apply.

After receipt of and Act 91 Notice from their mortgage company, homeowners apply for HEMAP assistance through a network of PHFA approved counseling agencies. Assistance to eligible households is limited to 24/36 months (depending on the current unemployment rate in the Commonwealth) from the date of mortgage delinquency or \$60,000, whichever comes first.

OTHER AGENCY INITIATIVES

The Pennsylvania Housing Affordability and Rehabilitation Enhancement (PHARE) Act: PHARE was established by Act 105 of 2010 to provide a mechanism by which certain state, federal or other outside sources would be used to assist with the creation, rehabilitation, and support of housing throughout the Commonwealth. While the initial Act did not allocate funding, it did outline specific requirements for the management of the program including eligible uses, preferences, considerations, and obligations to utilize a percentage of the funds to assist households below 50% of the area median income.

Since adoption of the authorizing legislation, two sources of funding from the Commonwealth have been adopted by the General Assembly. The first source of funds which initially capitalized the program were included in Act 13 of 2012 which created the Marcellus Shale “Impact Fee”. Resources from the Impact Fee are deposited annually into the PHARE fund and are restricted for allocation by the Agency to only those counties with producing unconventional wells. In addition to the requirements in the PHARE Act, PHFA must ensure that at least fifty percent of the Impact Fee funds be used in 5th through 8th class counties.

The second source of funds into the PHARE program was established by Act 58 of 2015 and come from the Commonwealth’s intake of Realty Transfer Taxes (RTT). The amount of RTT transferred to the PHARE program are determined through a formula set in the Tax Reform Code of 1971 and currently capped at \$60 million annually. Resources into the PHARE program from RTT are available for allocation by the Agency statewide.

To effectuate the utilization of the PHARE funds, PHFA adopts an annual plan establishing the priorities for that year and describing the method in which program funds will be distributed. A draft plan is posted publicly for comments prior to being presented to the PHFA Board of Directors for approval. Applications are later solicited through a Request for Proposals (RFP) process.

To date, PHFA has awarded nearly \$290 million combined in PHARE funding to 1,450 projects and programs across the Commonwealth. Grants are used for a variety of activities including but not limited to rehabilitation, preservation or emergency repair of affordable rental housing, new construction of for sale housing, rehabilitation or emergency repair of owner-occupied housing, downpayment and closing cost assistance, homelessness prevention, housing counseling and financial education. In the current cycle the Agency has prioritized initiatives that partner new construction and rehabilitation with investments from a healthcare organization.

The RTT funded portion of the PHARE program alone has received almost 2,000 applications requesting more than \$709 million, including applications pending in the current funding cycle, and has awarded over \$233 million.

PHFA is also the Commonwealth's designated recipient of National Housing Trust Fund (HTF) resources which were enacted under the Housing and Economic Recovery Act of 2008 (HERA). Funding for the HTF is derived from a percentage of Fannie Mae and Freddie Mac's annual earnings. Due the nature of the HTF and federally imposed rules regulating the utilization of the funds, the Agency partners this resource with its multifamily program as an additional funding source for qualifying LIHTC applications. The Agency has committed more than \$79 million in HTF from the federal government to further assist with the construction or preservation of more than 70 affordable housing developments.

Mixed-Use Development Tax Credit: Act 84 of 2016, a comprehensive amendment to the Tax Reform code of 1971, contained a new section establishing the Mixed-Use Development Tax Credit (MUDTC) and authorized PHFA to administer the program. Under MUDTC, the Agency receives an annual allocation of tax credits from the Commonwealth (initially enacted at \$2 million and currently authorized at \$4.5 million) which it then sells to qualified taxpayers through a competitive bidding process.

The capital raised through the sale of the credits is then awarded as grants under the highly competitive Community Revitalization Fund Program (CRFP) to qualifying projects containing both commercial/retail and residential components. Residential units created through this funding source must remain affordable to households at or below 80% of the area median income for at least ten years and the overall development must also maintain a mixture of residential and non-residential uses for the same period of time. The program serves as a funding mechanism to bridge the gap between traditional housing programs and commercial lending sources while fostering sustainable partnerships to leverage public and private resources.

To date, CRFP has awarded \$15.4 million in grants to 29 projects across 13 counties with the Agency also provided additional loan funding to several of these projects.

Homebuyer and Homeowner Counseling: PHFA manages a network of approved counseling entities that provide free Agency sponsored educational and coaching services specifically for perspective homebuyers as well as homeowners facing financial difficulties. Individual counselors within the network are HUD certified and receive ongoing education and support from the Agency.

Special Program Allocations: On occasion, the General Assembly has sought the Agency's assistance in deploying funds that help to stabilize households or a specific area of the housing industry in response to economic events that have occurred at the state or national level. Examples of these special initiatives have included mortgage foreclosure prevention programs and supplemental financing to ensure the completion or preservation of affordable rental housing. Historically most of these programs have been funded with resources passed through from the federal government. Whenever these instances arise, the Agency works diligently to quickly deploy the funds and ensure regular progress updates are provided in conformance with legislative requirements.

In conclusion, PHFA appreciates the ongoing support of the General Assembly and we look forward to continuing to enhance the lives of Pennsylvanians through our various program.