

# Virginia Housing Agency Readies \$107M Under NIBP

*Patrick Temple-West  
The Bond Buyer  
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The Virginia Housing Development Authority this week expects to sell \$107.3 million of homeownership mortgage bonds as part of its second act under the Treasury Department's New Issue Bond Program.

The VHDA is the first housing finance agency that escrowed proceeds from the sale of bonds to Treasury through Fannie Mae and Freddie Mac under the NIBP to roll out a piece of their escrowed amount, according to Moody's Investors Service analysts Rachael McDonald and Florence Zeman.

The 2010 Series A single-family housing bonds will be sold to retail investors on Wednesday and to both retail and institutional investors on Thursday. The bonds are rated Aa1 by Moody's and AA-plus by Standard & Poor's.

Morgan Keegan & Co. will be managing underwriter. BB&T Capital Markets, Davenport & Co., Bank of America Merrill Lynch, Raymond James & Associates, and Wells Fargo Securities will be co-managers.

Hunton & Williams LLP is bond counsel and Hawkins Delafield & Wood LLP is special tax counsel. The underwriters are represented by Kutak Rock LLP.

The Treasury initiated the NIBP in November to buy and help create a market for state and local HFA debt.

Under the program, the Treasury bought Fannie Mae and Freddie Mac securities backed by the HFA bonds, after allocating bond capacity to each agency that wanted to participate in the program.

The program expired on Dec. 31 when the Treasury lost the legal authority to buy the bonds. But to facilitate the limited window to issue debt, the Treasury allowed HFAs to issue short-term variable-rate bonds before the end of the year that could be converted into long-term fixed-rate issues this year.

Agencies participating in the NIBP must sell to the public 40% of the aggregate bonds they sold to the Treasury through the government-sponsored enterprises.

For example, if an HFA sold \$100 million of bonds to the Treasury, it would need to sell about \$66 million of bonds to the public to access the escrowed proceeds from the sale of bonds to the Treasury.

The HFAs then can use proceeds from the bond sales to the Treasury and to the public to finance single-family or multifamily housing loans.

The public deal must be done before the agency can access the proceeds from the Treasury bonds. HFAs have up to three windows of opportunity this year to convert the taxable variable-rate bonds to tax-exempt fixed-rate bonds.

The VHDA was allocated almost \$483 million of bonds under the NIBP.

On Dec. 23, 2009, it sold roughly \$483 million of Series 2009B taxable bonds to the GSEs at variable interest rates and then escrowed the proceeds.

The transaction this week is the first of three for the VHDA and will give it access to about \$160 million of the \$483 million total it sold to the Treasury.

After this transaction, the VHDA will have about \$267 million to purchase mortgage loans, \$107 from the public and \$160 from the Treasury, said Chris Spelbring, a first vice president with Morgan Keegan.

The bonds that the Treasury bought from the HFAs have long-term maturities, typically up to 30 years. The bonds sold to the public have shorter maturities, from one to 11 years.

Several HFAs last year were able to issue bonds to the Treasury and to the public before the program expired. As a result, they did not need to escrow proceeds from the Treasury.

The National Counsel of State Housing Agencies announced earlier this month that the Treasury purchased \$13.9 billion of housing bonds from 50 HFAs under the new program.

That amount will be combined with \$7.7 billion the agencies will issue to the public.

The Treasury also provided 12 state HFAs \$8.2 billion in liquidity to support outstanding bonds under a separate Temporary Credit and Liquidity program, according to the NCSHA.