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## FHFA Changes Impacting Housing Trust Fund and Capital Magnet Fund

Late yesterday, FHFA Director Mel Watt notified the CEOs of Fannie Mae and Freddie Mac that he was reversing the decision to suspend payments to the Housing Trust Fund and the Capital Magnet Fund. The two funds were authorized under HERA in 2008. Effective January 1, 2015, Fannie and Freddie will be setting aside payments that are projected (based on 2012 and 2013 volume) to amount to \$500 million, depending on their volume. While the money will be carved out by the GSEs, they will not transfer the funds until fiscal year 2015 is over. Funds won't be available for financing until 2016. Under the law, the money will be allocated by the states, with 90% dedicated to rental housing and 75% required to support ELI (Extremely Low Income) households - those making under 30% AMI. The total amount generated by the GSE fee will be divided as follows: 65% of the fees collected will be for the Housing Trust Fund and 35% for the Capital Magnet Fund. This will be a potential source of gap financing for multifamily rental transactions and will partially relieve the pressure created by declining HOME and non-formula CDBG appropriations.

As of now, Director Watt is not taking the position that payments to the Housing Trust and Capital Magnet funds should be made retroactive to the date of the suspension. We read this as an indication that the Administration is losing confidence that legislation reforming the two GSEs will be enacted before they leave office at the end of 2016. Some had argued that certain members of congress would be more likely to find common ground on reform if, as a result, the Housing Trust Fund would have been funded (the Housing Trust Fund created under the bipartisan Johnson-Crapo bill, which was approved by the Senate Banking Committee but never scheduled for floor consideration, uses a different and much more generous formula). Now that this is done, that potential legislative "sweetener" will be largely eliminated.

### Jones Walker Affordable Housing Team

For more than four decades, Jones Walker has helped organizations and individuals acquire, develop, finance, and build a broad range of affordable housing; workforce, senior, student, and military housing; and mixed use projects across the country.

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