

North Dakota Housing Finance Agency  
Division of the State Industrial Commission  
HB 1499 – Testimony of David A. Flohr, Executive Director  
House Government and Veterans Affairs Committee  
Recommended- Do Not Pass

February 5, 2021

North Dakota Housing Finance Agency (NDHFA) was created as an initiated state statute in 1980, receiving 60.4 percent of the public vote. It is a self-funded state agency and does not use any general fund dollars. NDHFA is overseen by a six-member advisory board and the state's Industrial Commission. The initiated measure provided NDHFA the authority to issue Mortgage Revenue Bonds to provide first-time homebuyers with below-market interest rates, and down payment and closing cost assistance.

Bonds issued by NDHFA are **not** a general or moral obligation of the State of North Dakota and are exempt from federal income tax. The bonds are purchased by private investors who receive a federal tax break for their investment that benefits the State of North Dakota. NDHFA uses the sale proceeds to purchase mortgages originated by private sector lending institutions through our FirstHome programs. Since its inception, NDHFA has issued over \$5 billion in Mortgage Revenue Bonds with no defaults and the issues are currently rated Aa1. More than 47,000 low- to moderate-income households in the state have utilized NDHFA's FirstHome programs to purchase a home. NDHFA has recently issued over \$15 million in bonds to raise capital for two multifamily housing projects.

HB 1499 would severely restrict the ability of NDHFA to issue bonds. Typically, the agency issues bonds twice a year with recent issuances between \$100 to \$125 million each. If NDHFA could only receive approval to issue bonds after statewide elections, we would be forced to issue a larger amount of bonds that would result in increased costs, would prohibit leveraging favorable market conditions, and create barriers to sell the bonds. If North Dakotan's voted down a bond issuance, citizens needing lower interest rates to purchase a home would be deprived access to this resource.

Because of its long history of sound business practices with the investment community, strong balance sheet, and relationship with our North Dakota lending partners, NDHFA has achieved great success in its almost 40 years of conducting business. HB 1499 would severely impact the programs the agency offers and in turn, the citizens of our state, therefore we urge you to recommend a DO NOT PASS on HB 1499.

Thank you.