



## **Press Release**

March 13, 2009

In response to inquiries about the article “State Housing Agencies Get Caught in Credit Crunch,” published by the Wall Street Journal on Wednesday, March 11, 2009, the Nebraska Investment Finance Authority (NIFA) offers the following update on the status of its Single Family Mortgage Revenue Bond program.

NIFA’s fiscal year 2009 revenues to date are strong and operating expenses are slightly below budget. NIFA’s projected net income before fair value adjustments is also strong, but slightly below fiscal year 2008 due to the lack of loan origination since October.

NIFA’s Single Family Housing Revenue Bonds retain their “AAA/A-1+” ratings from Standard & Poor’s, and the liquidity provider for NIFA variable rate debt, the Federal Home Loan Bank of Topeka, is also still rated “AAA/A-1+”. NIFA’s general obligation rating from Standard & Poor’s is unchanged at “AA-”.

Following the capital market events of September, 2008, NIFA immediately made strategic changes to its finance team for its Single Family Housing Revenue Bond program. J.P. Morgan Securities Inc. was named senior manager for the program and remarketing agent for NIFA’s variable rate bonds, replacing Lehman Brothers Inc. All NIFA interest rate swap contracts with the Lehman derivatives entities have been replaced with new counterparties.

Notwithstanding turmoil at that time in the capital markets, NIFA’s variable rate bonds continued to trade efficiently and, to date, there have been no remarketing failures resulting in bank-owned bonds. The Federal Home Loan Bank of Topeka remains NIFA’s liquidity provider for these bonds.

The underlying assets securing NIFA’s single family bonds are almost exclusively mortgage-backed securities issued by GNMA and Fannie Mae, all guaranteed (GNMA) or supported (Fannie Mae) by the federal government. These are “AAA” rated securities and the underlying mortgages are performing better than the national averages. Less than one percent of NIFA’s mortgage portfolio is comprised of whole loans, so NIFA’s risks with respect to mortgage insurers and REO exposure are minimal. NIFA remains conservative but alert in its strategies.

Because of the continuing disruption in the municipal bond market (NIFA’s primary source of funding for its program), origination of single family loans through the NIFA program is not currently feasible. However, during this hiatus, NIFA is working diligently through various national associations with Treasury and HUD to provide the resources necessary to facilitate issuing bonds and buying loans again. NIFA’s earning streams are primarily based on loan ownership, not origination. While our portfolio of loans has declined slightly due to natural payments, these assets are performing within expectations. The portfolio generally carries low interest rates and the loans are 30-year fixed rate mortgages.

NIFA is a quasi-governmental authority charged with the mission to provide Nebraskans a broad range of financial resources for homeownership, rental housing, agricultural, manufacturing, and medical and community development endeavors, as well as technical assistance for activities related to these areas.

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