



OFFICE OF HOUSING

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
WASHINGTON, DC 20410-8000

**MEMORANDUM FOR:** All HFA Section 542(c) Multifamily Risk-Sharing Lenders

**FROM:** Ethan Handelman, Deputy Assistant Secretary for Multifamily Housing Programs, HT

**SUBJECT:** Federal Financing Bank (FFB) Risk-Sharing Initiative Relaunch

The Department is pleased to invite qualified Housing Finance Agencies (HFAs) to participate in the relaunch of Federal Financing Bank (FFB) Risk-Sharing Initiative announced on September 1, 2021, between HUD and the U.S. Department of the Treasury/Federal Financing Bank (FFB), under which FFB provides capital for multifamily loans insured under FHA's Risk-Sharing program.

The FFB Risk-Sharing Initiative (Initiative) was started in 2014 to increase access to and reduce the cost of funding for multifamily mortgage loans insured by FHA through its Section 542(c) Risk-Sharing program with Housing Finance Agencies (HFAs). This Initiative was a temporary inter-agency partnership between HUD, Treasury's FFB, and HFAs that provided a Ginnie Mae-like financing mechanism for HFA Risk-Sharing partners until use of Ginnie Mae securitization was allowed for the Section 542(c) programs. Ginnie Mae legislation was not ultimately enacted, and the Initiative was wound down in 2018.

To address the critical need for affordable housing, and to ensure a stable source of capital in an environment of volatile tax-exempt bond pricing, HUD is temporarily resuming the Initiative, with a renewed emphasis on enacting legislation to provide a permanent source of lower-cost capital through Ginnie Mae securitization. This second phase of the FFB Initiative will sunset three years after implementation to give HUD adequate time to pursue legislation and transition Section 542(c) participants from FFB financing to Ginnie Mae securitization. HUD will accept Section 542(c) applications utilizing FFB from approved participants through September 30, 2024 and issue Firm Approval Letters through September 30, 2025, and the FFB will purchase the FHA-insured mortgages through September 30, 2027. HUD can begin issuing Firm Approval Letters on October 1, 2021.

The Initiative will open through the Section 542(c) Risk-Sharing Program framework, largely utilizing the existing regulatory framework and processes and effectuated through FFB Risk-Sharing Agreements.

The Department is now reopening the FFB Risk-Sharing Initiative to qualified participants. HFAs with existing FFB Risk-Sharing Agreements in place may begin submitting new Section 542(c) applications utilizing FFB to HUD Multifamily Regions.

Qualified HFAs that wish to apply to participate in the Initiative and utilize this financing structure must submit a letter of interest to HUD. The Department now invites letters of interest from qualified HFAs. Participation in the Initiative is limited to HFAs that:

- Currently participate or would like to participate in Section 542(c) Risk-Sharing lending at Level I in accordance with [24 CFR 266.100](#);
- Are in good standing with HUD;
- Have and maintain an issuer credit rating of “A” or better; and
- Agree to assume a minimum of 50 percent of the risk on all loans originated under the FFB Initiative.

Letters of interest should request participation in the FFB Initiative and include an acknowledgement that the HFA meets program requirements in accordance with [24 CFR 266](#), e.g., is in good standing, and is an approved Level I participant with an issuer credit rating of "A" or better.

Letters of interest should be addressed to:

U.S. Department of Housing and Urban Development  
Attn: Scott Greuel, Director, Program Administration Division, Office of Multifamily Production  
451 7<sup>th</sup> St, SW, Room 6142  
Washington, DC 20410-0001

Please email letters of interest to: [RiskSharing\\_Admin@hud.gov](mailto:RiskSharing_Admin@hud.gov) and [Jacqueline.M.Arnold@hud.gov](mailto:Jacqueline.M.Arnold@hud.gov).

Thank you for your continued interest and support of the FHA Risk-Sharing Program and FFB Initiative. If you have any questions, please contact Scott Greuel, Director, Program Administration Division, Office of Multifamily Production at [Scott.R.Greuel@hud.gov](mailto:Scott.R.Greuel@hud.gov) or (202) 402-5346.

Cc: Gary Grippo, Vice President and Treasurer, Treasury/FFB  
Adrienne Todman, Deputy Secretary, HUD  
Lopa Kolluri, Principal Deputy Assistant Secretary for Housing - Federal Housing Commissioner  
Patricia Burke, Director, Office of Multifamily Production