

# BOND CAP PROJECTION 2018



- The Michigan State Housing Development Authority (MSHDA) can issue debt for very limited purposes. To date, MSHDA has only issued debt for the purchase of single-family mortgages, funding multifamily development, home improvement loans and the cost of issuing the bonds.
- MSHDA bonds are asset-backed debt, meaning the assets purchased with the bond proceeds serve as security to the bond investors. As the mortgages are repaid, the funds are used to pay back the bonds. The Authority does not issue debt to fund operating costs.
- MSHDA primarily uses the proceeds from the issuance of debt to purchase assets (multifamily and single-family mortgages), that are pledged to investors. Revenues generated from these debt issuances allow MSHDA to operate with no General Funds from the State, and debt issued by MSHDA is not a General Obligation of the State of Michigan.
- MSHDA has never failed to meet its obligations, has never defaulted — even through the housing-induced credit crisis of 2008. MSHDA's Issuer Credit Rating is rated AA with a Stable Outlook by Standard & Poor's.
- Currently, MSHDA cannot have outstanding bonds or notes at any time, for any of its corporate purposes, in an aggregate principal amount exceeding \$3.4 billion. MSHDA estimates it will push up against this current cap within a year.
- MSHDA's bond limit has not been raised since 2012. Bond cap usage has increased 662 percent since then. If the current pace of production continues, MSHDA will be back to the legislature in five to six years for another bond cap increase.
- Inflation has increased the value of homes and the cost of building materials, which in addition to the robust lending, is accelerating the speed with which MSHDA is reaching the cap.
- The proposed legislation would amend MSHDA's governing statute (Public Act 346 of 1966) to increase MSHDA's limit on corporate bonds and notes from the current \$3.4 billion limit to \$5 billion.

MSHDA Outstanding Debt

