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First-Time Homebuyer Affordability Act Introduced in House

On the Hill

Yesterday Representatives Darin LaHood (IL-16), Jimmy Panetta (CA-19), Blake Moore (UT-01), and Tom Suozzi (NY-01) introduced the *First-Time Homebuyer Affordability Act* in the House of Representatives. The bill would amend Section 146(g) of the Internal Revenue Code of 1986 (the "Code") to exempt qualified mortgage bonds from the private activity bond volume cap.

Under current law, qualified mortgage bonds are subject to the unified state volume cap on private activity bonds under Section 146 of the Code. That cap is shared among numerous categories of qualified private activity bonds, including multifamily housing bonds, exempt facility bonds, student loan bonds, and others.

The *First-Time Homebuyer Affordability Act* would exempt qualified mortgage bonds from the volume cap requirements, joining existing exemptions for certain veterans' mortgage bonds, 501(c)(3) bonds and other specified obligations.

What This Means for Tax-Exempt Bond Issuers

If enacted, the bill would be a hugely positive development for state and local housing finance agencies that issue qualified mortgage bonds to finance first-time homebuyer programs. Currently, mortgage revenue bond issuance competes with other private activity bond categories for scarce volume cap allocation. Exempting qualified mortgage bonds from the volume cap requirements would eliminate that competition and allow housing finance agencies to issue mortgage bonds and serve more first-time homebuyers without consuming limited cap resources.

In a rare "win-win" situation, in states where volume cap demand exceeds supply, issuers of multifamily housing bonds (many of which support 4% LIHTC transactions), exempt facility bonds, qualified student loan bonds, and other qualified private activity bonds would benefit from the increased availability of cap previously allocated to mortgage bond programs. This would be particularly meaningful in the affordable housing space, where volume cap scarcity has been a persistent constraint on 4% LIHTC production.

It is important to note that the bill has been introduced as a standalone measure. Its ultimate path to enactment remains uncertain at this early stage.

What's Next

The bill has been introduced and referred to committee. For the bill to advance, it would need to be reported out of committee and passed by the full House, then considered and passed by the Senate, and signed by the President. Alternatively, its provisions could be incorporated into broader tax or housing legislation moving through Congress.

As always, we will continue to monitor both this bill and other legislative developments closely and provide targeted updates as new information becomes available. **We encourage interested issuers and housing finance agencies to engage with their congressional delegations in support of this legislation.**

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