Puerto Rico Returns to the markets after AAFAF completes PRHFA bond refinancing

More than $43 million were generated in debt service savings.

San Juan, P.R. – The executive director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF), Omar J. Marrero Díaz, announced that Puerto Rico was successful in accessing the capital markets after the Housing Financing Authority (HFA) and the Public Housing Administration (PHA) refinanced existing HFA bonds, generating approximately $43 million in debt service savings.

Marrero Díaz explained that the Outstanding Bonds were refinanced through the issuance of $249.6 million in refunding bonds of the Capital Fund Modernization Program (“Refunding Bonds”). In addition, the refinancing reduced the total debt existing prior to the transaction by $300.5 million because funds from the accounts of said issuances were used, and new bonds were sold at premiums that generated additional funds.

“This bond issue achieves average annual debt service savings of over $8.5 million, which could be used to assist the Public Housing Modernization Program. The news bonds have similar maturities to the Outstanding Bonds, from 2020 to 2028. This deal is an important step in Puerto Rico's return to the capital markets and proves that the market is reestablishing its trust in Puerto Rico,” said Marrero Díaz, who also serves as the chief financial officer of the Government of Puerto Rico.

There was a substantial demand for the bond deal from traditional investors with over $750 million in indications of interest, producing a demand that exceeded more than three-fold the available amount of bonds. The true interest cost, including expenses associated with pricing and selling the new issue, was 1.27%.
Currently, HFA has approximately $300 million in outstanding bonds issued under the Capital Fund Program of the federal Department of Housing and Urban Development (HUD), maturing between 2020 and 2027. HFA issued these bonds in 2003 and 2008, the proceeds of which were lent to the PHA and were used to pay the costs of improvements and modernization of public residential projects throughout the Island.

The principal of and interest on the refinanced bonds and the new bonds are payable solely from annual federal appropriations of the U.S. Congress to fund public residential modernization and improvement projects through HUD. The HFA bonds do not constitute a debt, obligation or pledge of the full faith and credit of the Commonwealth or any of its instrumentalities or political subdivisions.

PHA is responsible for the development and operation of the public housing units and receives grants and subsidies from HUD. PHA’s goal is to improve the quality of life in public housing units, promote community activity and the integral development of Puerto Ricans who live in said housing projects by means of a highly efficient administration. It is important to note that even though the source of repayment of the new refunding bonds consists of HUD appropriations, any debt service savings realized as part of this transaction will result in additional funds being made available to PHA fund its mission and objectives.

Likewise, HFA provides financing options for low- or moderate-income families and other services to create and preserve affordable housing on the Island, which contributes to the socioeconomic development of Puerto Rico.

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