



Community Investment Corporation

Chicagoland's Leading Multifamily Rehab Lender

www.cicchicago.com

October 8, 2013

Federal Housing Finance Agency (FHFA)
Multifamily Housing Policy
400 7th Street, S.W., Room 9-261
Washington, DC 20024
multifamilypolicyissues@fhfa.gov

Dear Madam/Sir,

The Community Investment Corporation (CIC) is the leading multifamily rehab lender in the six-county metropolitan Chicago area, pooling the resources of 40 financial institutions to provide financing for multifamily rental housing. Since 1984, CIC has originated \$1.1 billion in loans for the acquisition and rehab of 50,000 units of “affordable” rental housing, serving 125,000 Chicago area residents. CIC specializes in lending to apartment buildings owned by “ma and pa” businesses, buildings that dominate the landscape of many communities but have never had ready access to the larger financial marketplace. Lending consortia like CIC have very successful track records of pooling private capital to finance the expansion of affordable rental housing, especially for mortgages on small properties – properties with fewer than 100 units or mortgages under \$3 million -- that constitute the vast majority of the nation’s affordable rental stock.

Thank you for the opportunity to comment on the best ways to reduce Fannie Mae and Freddie Mac’s presence in the multifamily housing finance market in 2014 and increase the availability of private capital. But simply reducing the Enterprises’ multifamily footprint as FHFA did in 2013, without focusing them on small rental properties only exacerbates an existing credit crunch hindering the preservation and expansion of affordable housing. Chicago, like many markets in the wake of financial crisis, has experienced a significant decrease in the availability of credit, particularly in low and moderate income neighborhoods. In fact, six of the region’s top eight multifamily lenders in 2006 no longer exist or have ceased their multifamily lending.

Fannie Mae and Freddie Mac can help make a difference in this market segment by supporting a secondary market for small properties nationwide, and in communities like Chicago.

Variety of Loan Products

a. Should FHFA consider simplifying and standardizing the Enterprises’ multifamily loan products? If so, which loan product or mix of loan products are most important for the Enterprises to offer? Which of the Enterprises’ loan products would private financing sources most readily provide?

Mortgages on small multifamily properties are not uniform or “cookie-cutter.” They often require flexibility in underwriting. It is most important that the Enterprises provide access to the capital markets for mortgages for the vast majority of rental properties that the companies



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continue to ignore. Rather than simplify and streamline “products,” the Enterprises should simplify and streamline their processes to qualify more non-depository lenders as “mini-Delegated Underwriting Servicers.” These specialized lenders tailor their loan products to their communities, are ready and willing to share the risks of their loans, and many meet the highest financial standards of insured depositories.

Other alternatives: Are there other options that FHFA should consider to achieve the strategic goal of contracting the Enterprises’ multifamily businesses to reduce their presence in the housing finance market and support the entry of private capital?

- Fannie Mae and Freddie Mac should reduce their multifamily book of business by helping to increase the flow of private capital for the financing of small properties. FHFA can direct this transition by stopping or limiting the companies from financing and refinancing the largest mortgages, and refocusing their efforts on supporting a functioning secondary market for loans on small properties, the biggest unmet need in the secondary mortgage market.
- The Enterprises should invest in nonprofit lending consortia like CIC, facilitating liquid, reliable, local markets that ensure stable, long-term access to private capital markets and diverse funding sources. Loan pools like CIC have been critical to meeting the community development needs of underserved communities. In the late 1990’s, after concluding that it was unable to efficiently offer financing for individual small multifamily loans, Fannie Mae made a \$50 million commitment to CIC’s \$400 million loan pool. This commitment, combined with the commitments of many other financial institutions, efficiently provided affordable financing for hundreds of small rental properties. Fannie Mae leveraged other private market resources, provided much needed financing, earned a reasonable return, and incurred no losses. When we renewed our loan pool in 2010, however, Fannie Mae declined to participate, saying that this activity did not fit its “business model.” We think that investment in lending consortia such as CIC is exactly the type of activity that Fannie Mae needs to undertake to serve the important and underserved segment of small rental housing.

Sincerely,

A handwritten signature in blue ink, appearing to read "John G. Markowski".

John G. Markowski
President