

July 6, 2017

Jim Gray, *Duty to Serve Program Manager*
Federal Housing Finance Agency
400 7th Street, SW
Washington, D.C. 20219

RE: Fannie Mae and Freddie Mac Underserved Market Plans

The Community Economic Development Assistance Corporation (“CEDAC”) is pleased to submit the following public comment applicable to both the Fannie Mae and Freddie Mac draft Underserved Market Plans that were posted on the FHFA website.

CEDAC is a public-private community development finance institution (“CDFI”) that provides financial resources and technical expertise for community-based and other non-profit organizations engaged in effective community development in Massachusetts. The work of the organization supports two key building blocks of community development: affordable housing and early care and education. CEDAC is also active in state and national housing preservation policy research and has been widely recognized as a leader in the non-profit community development industry.

CEDAC would like recommend an activity under the Housing Preservation statutory area of activity that was not mentioned in either the Fannie Mae or the Freddie Mac proposed Underserved Markets Plans. Specifically CEDAC has found that owners of existing affordable housing are often willing to sell their property to purchasers who will maintain affordability (“Preservation Purchasers”) but require that the sale be consummated in the standard market period of 4-6 months. Preservation Purchasers need competitive public funding such as housing tax credits along with city and state subordinate debt to finance their projects, but securing these public resources can take more than 12 months. Consequently, Preservation Purchasers have a crucial need for acquisition bridge financing at a high loan to value for the period of time necessary to secure the public funding, typically 18-24 months.

The relatively small loan size, high loan to value, and dependence upon public financing for repayment have meant that most traditional banks have not been willing or able to make these acquisition bridge loans. In Massachusetts this role has been filled by CEDAC and a few other CDFI’s with missions tied to affordable housing preservation and production.

Fannie Mae and Freddie Mac (“the Enterprises”) could better serve the Underserved Market of Housing Preservation by providing capital to CDFI’s ¹ in one of two ways:

¹ CEDAC recommends a broad definition of CDFI such as that used by the Capital Magnet Fund, a program of the US Treasury Department CDFI Fund.

Line of Credit.

A line of credit would directly provide loan capital to be used to finance the acquisition of affordable housing properties by a Preservation Purchaser. To receive Duty to Serve credit the line of credit would need to have a high loan to value of at least 90% and a below market interest rate. The line of credit capital would be fully guaranteed by the CDFI so the Enterprise would not need to underwrite each individual acquisition loan.

Letter of Credit.

An alternate or complimentary option would be for the Enterprises to provide a letter of credit that would guarantee up to 95% of the loan to value for an acquisition loan of an affordable housing property. The letter of credit would allow the CDFI to secure lower cost private capital and would be tied directly to the mortgage on the property. To be eligible for Duty to Serve Credit the letter of credit would need to have delegated underwriting for a quick execution, a low price and other favorable terms.

Thank you for your consideration of this public comment.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Brauner".

Bill Brauner
Director of Housing Preservation and Policy
Community Economic Development Assistance Corporation