

As Public Housing Agencies (PHAs) across the country transition portions of their property portfolios from federally owned property to PHA owned property through Rental Assistance Demonstration (RAD), Fannie Mae and Freddie Mac have a timely opportunity. From a simple effect, RAD creates the opportunity for PHAs to borrow money to rebuild, improve and repair existing subsidized affordable housing units. Metro Development and Housing Agency-Nashville (MDHA-Nashville) is converting its entire Public Housing stock through RAD to the Project Based Rental Assistance (PBRA) model. MDHA offers the following recommendations to Fannie Mae and Freddie Mac in their efforts to assist the Affordable Housing Preservation Market as directed by the Duty to Serve Underserved Markets rule.

1. Fannie Mae and Freddie Mac should incorporate additional “residential economic diversity” objectives into their final Plans, especially under RAD. We request that the Enterprises develop specific products for mixed income financing of multi-family properties. A mixed income approach to new construction has the effect of deconcentrating poverty while also expanding the income base to formerly high poverty areas. Secondly, a mixed-income approach to housing allows for increased revenue which enhances the security for the property’s debt. An important element of this recommendation is that the Loan to Value (LTV) ratio for the financing option should be based on the normal affordable housing rate of 90% LTV for the entire project as opposed to the traditional 80% LTV for market and workforce multi-family properties.
2. Fannie Mae and Freddie Mac should develop a product that is fully amortizing to parallel the HUD/FHA MIP. This product should have low interest rates, low transaction costs, and a reasonable time to underwrite and close.
3. We urge FHFA to allow Fannie Mae and Freddie Mac to purchase tax credits in the urban—not just the rural—markets in order to bring more competition and stability to the tax credit market (NMTC or LIHTC). In the short period of time from when the rule was written to present, uncertainty has been introduced into the LIHTC market, which is making it harder to find investors and obtain competitive pricing. This is injuring our ability to bring affordable and mixed-income developments to fruition.

4. As PHAs enter into greater financial exposure to the market through RAD, Fannie Mae and Freddie Mac should offer fiduciary counseling and advice to help guide PHAs to sound financing options. This assistance would increase lender confidence as PHAs would have an additional set of advisors who understand risks on a broader perspective.