

July 10, 2017

**Re: Duty to Serve – Underserved Markets Plans**

Thank you for the opportunity to comment on the Enterprises' *Duty to Serve – Underserved Markets Plans*. These comments are being submitted on behalf of Community Affordable Housing Equity Corporation ("CAHEC") with respect to the resumption of investment activities within high-needs rural regions by the Enterprises via the federal Low-Income Housing Tax Credit ("LIHTC") program. In short, CAHEC is supportive of the Enterprises resuming their investment activity.

CAHEC was formed as a North Carolina nonprofit corporation in December 1992 for the express purpose of creating safe and affordable rental housing in North Carolina in conjunction with the LIHTC. Since that time, we have evolved into a multi-state, multi-functional organization that provides a host of acquisition and asset management services to a wide range of investors. Our principles and values support our vision, namely to "*provide communities with affordable housing and opportunities for growth and revitalization by investing in qualified tax credit products*".

CAHEC is committed to increasing the opportunities for low-income individuals and families throughout the Southeast and mid-Atlantic region - opportunities to live in decent affordable housing, raise their earning potential, and form communities they are proud to call home. Operating as a nonprofit, CAHEC budgets substantial capital for a series of Community Investments that empower residents and foster sustainability in the communities we serve.

**CAHEC Position on the Underserved Markets Plans**

The following opinions echo much of what CAHEC shared in its March 2016 response to the then *Enterprise Duty to Serve Underserved Markets – Proposed Rule*. Specifically:

- *The current investor market, albeit robust with capital, is not necessarily a barometer of future market conditions.* That has since been evidenced by the equity markets reaction to the possibility of corporate tax reform. Specifically, and as shared in the proposed plans, this uncertainty has led to a precipitous decline in the pricing of Low Income Housing Tax Credits ("LIHTC"). The result will be fewer units produced, less deep-income targeting, and reduced development in rural census tracts. As a mitigant, we strongly believe that the Enterprises participation (primarily in high-need rural areas and for high-needs rural populations) as a LIHTC equity investor would contribute to greater pricing stability.
- *The timing and volume of the Enterprises participation in LIHTC equity markets should be prioritized.* Market reaction to the possibility of corporate tax reform has negatively impacted both 2016 and 2017 LIHTC reservations (and thus units to be placed in service in 2018 and 2019, respectively). The Enterprises can make the greatest impact as a countercyclical and stabilizing force by responding swiftly and materially to the equity shortfalls currently being experienced. Specifically, the marketplace could support an earlier entry than targeted by the Enterprises (in their three-year plans) and initially for a few hundred million dollars (which would allow them to positively impact) in and round their high needs rural regions.
- *There is strong need for equity capital to consistently support difficult to develop projects in "high-need rural areas and for high-needs rural populations", where there is currently less investor demand.* While we are supportive of the mission and guidance provided to each state's respective housing finance agency in addressing the needs of its residents, the fact is that many of these underserved communities are in areas of modest CRA demand and are traditionally the first to see the impact of weaker investor appetite. Together with the decline in pricing arising from the prospect of lower corporate tax rates, the investment distortions arising from CRA justifies a Duty to Serve rule that permits the Enterprises to invest LIHTC equity in rural areas.

CAHEC appreciates this opportunity to comment on the *Underserved Markets Plans* and whether the Enterprises should be permitted to resume LIHTC investments.

Sincerely,

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President & CEO  
CAHEC