

July 10, 2017

Federal Housing Finance Agency  
Constitution Center  
400 7<sup>th</sup> Street, SW  
Washington, D.C. 20219

To Whom It May Concern:

Red Capital Group, LLC (RED) appreciates the Federal Housing Finance Agency (FHFA) providing us with an opportunity to comment on the proposed Underserved Market Plans for Fannie Mae and Freddie Mac (the Plans). The Plans submitted by Fannie Mae and Freddie Mac to the Federal Housing Finance Agency (FHFA) essentially provide an excellent overview of the steps they will take to address their obligations to serve important policy and public needs under the Duty to Serve Final Rule.

RED believes Fannie Mae and Freddie Mac's proposed plans to enhance their products and modify their underwriting guidelines to prudently increase their loan production in areas providing affordable housing through manufactured housing, Section 8 HAP contract, Section 202 seniors housing, Section 42 LIHTC property, rural housing, small multifamily property and energy efficient property programs will have a meaningful impact on providing and preserving affordable housing. As illustrated in many studies and supporting statistics, there is a dearth of supply and an ever growing need for affordable housing throughout the country and we applaud them for their efforts to date and for these proposals.

We do have specific suggestions in several areas that we believe are needed and will materially enhance their efforts and the objectives contained in the Duty to Serve Final Rule. They are as follows:

#### Suggestion #1

Low income housing tax credit (LIHTC) transactions that utilize 4% tax credits often require gap financing to make the transactions viable. The 4% LIHTC transactions are a critical financing structure in trying to preserve and develop needed affordable housing across the country.

We suggest that both Fannie Mae and Freddie Mac be allowed to develop and underwrite more flexible and cost effective subordinate financing to bridge financing gaps and promote additional 4% tax credit developments.

#### Suggestion #2

The preservation and development of affordable housing has been hindered by the fact that Fannie Mae has not been allowed to offer a forward rate lock product for tax credit deals at the time of the initial acquisition of a property and prior to the tax credit

transaction closing. Affordable housing developers have had to compete over the last several years with more and more "outside the industry" bidders for existing affordable or potential affordable properties. Affordable housing developers often have to arrange the tax credit financing in advance which takes time and requires a contingent offer. Non-industry bidders have more resources readily available to offer non-contingent bids. The result is that many existing and potential affordable properties are being purchased by non-affordable housing developers and converted to market rate properties or other uses rather than being maintained as affordable housing.

Allowing Fannie Mae to offer acquisition financing along with a forward rate lock product which locks in financing on a future tax credit financing for up to two years will give affordable housing developers an additional tool to compete with non-industry bidders to preserve and develop additional affordable housing.

### Suggestion #3

A significant number of affordable housing properties fall in the small balance loan category as defined by Freddie Mac and Fannie Mae. By nature, affordable housing loans are a bit more complicated given the subordinate financing and the use agreements that are often in place. Freddie Mac and Fannie Mae should be given the resources to develop a program for streamlining underwriting and to provide sufficient lender incentives and protections for all small balance loans or affordable housing transactions regardless of the use restrictions, soft debt or other financing structures in place.

Thank you for your consideration of our suggestions.

Sincerely,

Tracy W. Peters  
Senior Managing Director

CC: Congressman Steven E. Stivers, Ohio's 15<sup>th</sup> Congressional District  
Congressman Patrick J. Tiberi, Ohio's 12<sup>th</sup> Congressional District