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July 10, 2017

Mr. James Gray
Duty to Serve Program Manager
Federal Housing Finance Agency
400 Seventh St, SW
Washington, DC 20219

Re: Fannie Mae & Freddie Mac Underserved Market Plans

Dear Mr. Gray:

Boston Financial Investment Management is pleased to submit the following public comment with regard to the proposed "Underserved Markets" plans recently submitted by Fannie Mae and Freddie Mac.

Boston Financial Investment Management and its predecessor entities have been in the business of raising capital for multi-family affordable housing since 1969 and for low-income housing tax credit projects since the housing credit was enacted. During the past thirty years the company has raised more than $12B of equity capital and made investments in more than 2,200 low-income housing tax credit (LIHTC) properties across the country. Boston Financial has originated and asset managed LIHTC investments on behalf of over 150 institutional investors including Fannie Mae and Freddie Mac. Boston Financial was recently acquired by ORIX Corporation, a major global financial services institution which will accelerate our ability to deliver capital solutions to help the GSE's with their missions.

We have followed the evolution of FHFA's final rule regarding the Enterprise's Duty to Serve Underserved Markets and the plans that have now been submitted by Fannie Mae and Freddie Mac. We have done so against the backdrop of a country in the midst a very real crisis in affordable rental housing. The Center for Joint Housing Studies at Harvard estimates that between 2001 and 2014, the number of severely rent-burdened households (those paying more than 50% of their income for housing) jumped from 7.5 million to 11.4 million. The sheer scale of our national need for more affordable rental housing should lay waste to the view held in some quarters that we don't "need" Fannie and Freddie to serve as more active capital partners.

In considering the ways in which the GSE's have proposed to address the affordability crisis, we are mindful of the fact that the enterprises have compiled an outstanding track record as both lenders to affordable multi-family projects and as equity investors in LIHTC projects. While both firms will need to rebuild internal infrastructure to implement their equity investment goals, both GSE's have tremendous expertise to draw from in implementing their overall goals.

FHFA's final rule sets forth fairly narrow parameters within which the GSE's will be permitted to operate with a focus on manufactured housing, affordable housing preservation and rural markets. It is our hope that FHFA will provide the GSE's with additional flexibility in these areas as we move forward:

Workforce Housing - The need to build additional rental housing in areas that have experienced job growth is very clear but there is very little capacity under existing subsidy programs to finance such projects. The GSE's can play a vital role in building the capital stack for workforce housing development.

LIHTC investment - The capital market for equity investment in LIHTC projects has become increasingly efficient, particularly for projects located in areas with high "CRA value". However solid this equity market appears, it nonetheless has a narrow base of investors and is vulnerable to market volatility as we witnessed during 2008 and 2009 and, more recently, investor demand has declined by 30% since the election in November 2016. When conditions are favorable, the GSE's can support the equity market with bridge financing and during periods of volatility, they can act as "shock absorbers" to invest in projects that cannot attract sufficient capital.

Affordable housing preservation - Over the next ten years more than 2 million units of affordable housing are expected to lose their affordability restrictions. The equity market has begun to assemble capital to ensure that the existing stock of affordable housing is preserved but we are a long way from meeting the need in this sector. The enterprises can play an important role in making both equity and debt capital available to preserve the affordability of our affordable housing stock over the long term.

We commend Fannie Mae and Freddie Mac for the thoughtful and well-conceived duty to serve plans they have submitted. It is our hope that the FHFA will permit the enterprises with sufficient flexibility to meet their objectives and to adjust them as market conditions change over time.

Thank you for your consideration of our comments.

Sincerely,

Fred H. Copeman
Senior Vice President
Equity Production