



July 10, 2017

Mr. Jim Gray
Program Manager
FHFA
400 7th Street, SW
Room 10276
Washington, D.C. 20219

RE: Duty to Serve – GSEs

Dear Mr. Gray:

On behalf of NeighborWorks Capital Corporation (NC) I am providing comments related to the proposed Duty to Serve activities of Fannie Mae and Freddie Mac. NeighborWorks Capital is a national non-profit community development loan fund based in Silver Spring, Maryland serving NeighborWorks America's member organizations (NWOs) in all 50 states and the District of Columbia. NC is certified by the U.S. Department of the Treasury as a Community Development Financial Institution (CDFI) and rated by Aeris-Insight™.

Distributed across all 50 states, the NeighborWorks® network includes a diverse array of 240 non-profit, mission-driven organizations engaged in real estate development, economic development, neighborhood revitalization, and community services in urban, suburban and rural communities across the United States. NC aligns with two of NeighborWorks America's five strategic goals; production and preservation of affordable housing, and provision and access to capital. Based on those goals NC has developed core and expanded loan products - from Predevelopment through Mini-Perm. Since inception, one of six units created or preserved by the network were assisted by NC financing.

NeighborWorks Capital's customers are the approximately 130 NWOs who produce or preserve over 8,000 units of affordable rental and for-sale homes and own and manage 150,000+ units of affordable multifamily housing. Annually NWA undertakes a survey of these NWOs that NC utilizes to focus its business planning and product marketing. In the fall of 2016 the survey identified over 600 projects totaling 13,000+ units of rental and for-sale projects in the pipeline.

NC's products provide flexible and affordable capital to NWOs by financing pre-development costs, acquisition of land and buildings, construction, rehabilitation, and preservation of NWO-owned rental properties that undertake property improvements that include green and energy saving components. These products can be used for:



1. Affordable rental housing projects, including new construction, acquisition, rehabilitation, and preservation, including re-capitalization of projects owned by NWOs;
2. Affordable homeownership projects, including new construction, acquisition, manufactured or rehabilitation;
3. Mixed use projects, involving affordable rental or for-sale residential units, and commercial uses.

As a national CDFI our mission is to provide higher risk capital that is not easily provided by financial institutions of the conceptual, construction and renovation phases of for-sale and multifamily projects. In order for NeighborWorks Capital to continue to provide early stage capital to our NeighborWorks network we must rely on an efficient, predictable system of permanent financing for affordable housing. With that construct NeighborWorks Capital provides the following general comments to FHFA related to the Statutory Activities of Fannie Mae and Freddie Mac for Affordable Housing Preservation and Rural Housing:

Affordable Housing Preservation and Rural Housing Market Plans:

1. Section 8 Housing Programs: The historical performance of loans financed with Section 8 has been very strong. It would be counterproductive to have the GSEs revise their underwriting guidelines and credit standards. The Section 8 program is a critical affordable housing finance tool. Allowing more conservative underwriting on rental income, higher debt coverage ratios or additional upfront capital reserves would reduce the amount of affordable multifamily loans financed. NC supports increased purchases of these loans as well.
2. Section 202 Housing Programs: The historical performance of loans financed with Section 202, housing for the elderly, has been very strong. It would be counterproductive to have the GSEs revise their underwriting guidelines and credit standards. The Section 8 program is a critical affordable housing finance tool. Allowing more conservative underwriting on rental income, higher debt coverage ratios or additional upfront capital reserves would reduce the amount of affordable multifamily loans financed. NC supports increased purchases of these loans as well.
3. Section 515 Housing Program: NC's support the GSE's plan to work with USDA to develop revised underwriting guidelines. The Section 515 program is a critical affordable housing finance tool in rural communities nationwide. NC supports increased purchases of these loans as well.
4. Low Income Housing Tax Credit: The historical performance of mortgages as part of the capital stack that includes LIHTC has been exceptional. The loans are typically lower loan to value and would provide liquidity to financial institutions to provide additional affordable mortgage financing. NC supports increased purchases of these loans as well.



Both Fannie Mae and Freddie Mac have longstanding successful track records providing permanent debt and equity for affordable housing preservation for over two decades. With their institutional knowledge and experience it is not productive for them to move slowly to determine their future affordable housing business activities. Any revisions to their current products should result in increased lending and equity investing and be considered part of the GSE's expansion of their collective market share to counter the decline in affordable housing inventory. Recent reports on the critical shortage of affordable housing requires a more expedited process to implement the Market Plans. The increase in GSE underwriting flexibility and loan purchase ability will improve the ability for local communities to preserve affordable housing assets.

Thank you for the opportunity to comment on the Duty to Serve plans of Fannie Mae and Freddie Mac.

Sincerely,

Handwritten signature of James P. Ferris in blue ink.

James P. Ferris
Chief Executive Officer