May 22, 2009

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA25
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552
RegComments@fhfa.gov

Dear Mr. Pollard:

Thank you for the opportunity to comment on (RIN) 2590-AA25, the proposed rule on the 2009 Enterprise Transition Affordable Housing goals.

Enterprise is a leading provider of capital and expertise to develop affordable housing. To date, Enterprise has helped build more than 260,000 affordable homes and invested more than $10 billion in communities across the country. Our success reflects a unique structure that blends social mission with financial innovation.

We provide much of this financing through subsidiaries such as Enterprise Community Investment, one of the leading national providers of Low Income Housing Tax Credit equity. Enterprise Community Investment also provides permanent debt financing for affordable and market-rate multifamily housing as a Fannie Mae special lender.

With our extensive experience financing affordable rental housing, we are concerned by your proposal to leave the special affordable multifamily subgoal at $5.49 billion for Fannie Mae and $3.92 billion for Freddie Mac. As the proposed rule notes, "In 2008, Fannie Mae's performance was 244 percent of its subgoal ($13.42 billion compared with $5.49 billion), and Freddie Mac's performance was 196 percent of its subgoal ($7.68 billion compared with its subgoal of $3.92 billion)." Given how easy it has been for the GSEs to exceed these goals even as the financial crisis worsened, it seems perplexing that the proposed rule leaves the goals in place.

Fannie Mae and Freddie Mac are still the largest sources of mortgage finance capital in the U.S., and should be part of the solution to stabilizing communities by purchasing the performing, seasoned multifamily mortgages now held in portfolio by lenders. As your September 12, 2008 statement noted, the GSEs must continue with important role of providing liquidity in both the single-family and multifamily mortgage markets. With a new supply of capital, we and other lenders could finance thousands more affordable rental units.

Market conditions are cited in the rule as the reason to leave the special affordable multifamily goal in place, yet market conditions actually are a reason to push the GSEs to do more to bolster economic recovery efforts by helping lenders' finance additional rental housing when it is most needed. The GSEs have historically played a very important counter-cyclical role in ensuring capital is available for low- and moderate-income housing finance, and we believe that the Enterprises can easily meet higher multifamily volume without incurring greater risk to their safety and soundness. With continuing foreclosures in the single family market, there will be additional needs for liquidity to finance affordable rental housing as former homeowners become renters.

In addition to establishing robust affordable housing goals, we would like to take this opportunity to comment on other ways FHFA could promote responsible multifamily housing finance beyond the scope of the proposed rule. We encourage you to use your regulatory powers and new GSE product oversight to encourage Fannie Mae and Freddie Mac to provide greater liquidity in the market for Low Income Housing Tax Credit (LIHTC) investments. Until recently, Fannie Mae and Freddie Mac provided about 40 percent of LIHTC investments annually. However, as you know, they have withdrawn from the market.

It may not be practical for Fannie Mae and Freddie Mac to make new LIHTC investments, because their future structure is uncertain. However, their considerable expertise could help restore the investment market if they were to guarantee/securitize LIHTC investments made by others, including both banks and other less experienced corporate investors, and we believe that such a role clearly lies within their affordable housing mission. Guaranteeing/securitizing LIHTC investments would provide greater liquidity for the market, a source of revenue to the GSEs, and credit risk protection for investors.

For bank investors, the GSE guarantee could potentially reduce the amount of capital required to make an investment by 80 percent, subject to re-affirmation of existing policy by the Federal Reserve Board. The GSEs might also attract new, non-traditional investors by dividing what is normally a 15-17 year investment into shorter-duration investment segments.

We urge you to reconsider your proposal and look forward to working with you to increase the flow of private capital to the multifamily rental market and underserved communities, as well as help reactivate private investment in the Low Income Housing Tax Credit. Please contact Kristin Siglin at ksiglin@enterprisecommunity.org if you would like further information on these matters.

Sincerely,

Alazne (Ali) Solis
Senior Vice President