N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

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:

The nation's conventional lenders play a significant role in financing affordable rental housing in the United States, helping to revitalize low- and moderate-income (LMI) communities, and providing apartments families are proud to call home. Yet the proposed 2009 Enterprise Transition Affordable Housing Goals (RIN 2590-AA25) ignores the long overlooked, but increasingly important responsibility that the GSEs have to bring the benefits of a government-sponsored secondary market to affordable rental housing.

For example, over the past 30 years, multifamily "consortia" of bank investors have formed in many states that pool banks' funds to make mortgages on affordable rental properties. Their multifamily mortgages meet the strict lending standards set by all of the banks in the consortium. The consortium's pooled loan fund diversifies the banks' risk in multifamily lending, provides investors respectable returns, and increases the supply of affordable rental properties. Our non-profit lenders, such as the consortia, are blue-chip, long-established, certified CDFIs serving areas as diverse as New York, Alabama, Florida, Massachusetts, California, Oregon, and the Carolinas. With no troubled assets, and most never having suffered a loss on a loan, our non-profit lenders have very successful track records of pooling private capital to finance affordable rental housing.

Yet with very few exceptions, Fannie Mae and Freddie Mac have continued to leave this good business on the table. FHFA's proposal perpetuates the GSEs' "absence without official leave" from this increasingly important market.

As the tsunami of single-family foreclosures destabilizes communities across the country, and our economic recovery requires more construction activity and more affordable rental housing, multifamily lenders are facing their worst liquidity crisis ever, with the ongoing credit crunch limiting their access to new capital, restricting their ability to make more good loans. Our non-profit lenders and their states are now among the victims of the credit crunch and the corresponding collapse of the capital markets.

Under the Community Reinvestment Act (CRA), banks and non-profit lenders have built in each of the past four years a $50 billion plus market in seasoned, performing "community development loans," i.e. those that finance affordable rental properties. Most of these mortgages remain on the lenders' books.

So we are perplexed by FHFA's proposal to roll back Fannie Mae and Freddie Mac's 2009 affordable housing goals to their 2004-2006 levels. Under the proposal, the GSEs would also only need to purchase a combined total of $9 billion affordable multifamily mortgages this year, not even half of what they purchased annually in 2005, 2006, 2007, and 2008, and a tiny fraction of the seasoned multifamily mortgages now in lenders' portfolios.

"Market conditions" appears to be the justification, yet the multifamily market is not in turmoil, and hundreds of billions of dollars in loans on affordable rental housing are seasoned, performing mortgages from years gone by. If the GSEs had bought more of these mortgages during the housing boom, they would surely have benefitted.

Given the surprising brevity of FHFA's 21-day comment period that ends today, the Friday before a Federal holiday, and the profound, negative impacts on our nation's economy and low- and moderate-income communities of the proposed special affordable multifamily goals, we urge you to withdraw this proposal, and reconsider how the GSEs can better support the recovery.

Fannie Mae and Freddie Mac are still the largest sources of mortgage finance capital in the U.S., and they must be part of the solution to stabilizing communities by purchasing the performing, seasoned multifamily mortgages now held in portfolio by our nonprofit lenders and banks. With a new supply of capital, these lenders could finance thousands more affordable rental units in 2009, further helping to spur our nation's economic recovery.

We look forward to working with you to increase the flow of private capital to financing affordable rental housing.

Sincerely,

Judith A. Kennedy
President and CEO