



September 18, 2009

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA27
Federal Housing Finance Agency
Fourth Floor
1700 G Street NW
Washington, DC 20552

Re: RIN 2590-AA27, Advance Notice of Proposed Rulemaking on the Duty to Serve Underserved Markets for Enterprises

Dear Mr. Pollard,

The National Council of State Housing Agencies (NCSHA) is pleased to have the opportunity to provide comments to the Federal Housing Finance Agency (FHFA) on the duty to serve provisions of the Housing and Economic Recovery Act of 2008 (HERA) as it applies to the Government-Sponsored Enterprises (GSEs), i.e., the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). NCSHA represents the nation's state Housing Finance Agencies (HFAs), which administer a wide range of affordable housing and community development programs, including tax-exempt Housing Bonds, the Low Income Housing Tax Credit (Housing Credit), HOME, Section 8, down payment assistance, and state trust funds.

NCSHA supports the efforts of Congress and FHFA to require the GSEs to conduct mission-oriented activities in areas not specifically covered by their affordable housing goals. We also support those goals, which have been effective at increasing the GSEs' involvement in affordable housing, and aggressive enforcement of those goals. The goals alone have not been sufficient, however, to ensure that the GSEs focus their attention on some of the nation's most urgent housing needs.

HERA refined the affordable housing goals while adding important requirements, including the duty to serve underserved preservation, manufactured housing, and rural markets. NCSHA encourages FHFA to ensure that the duty to serve requirements go above and beyond the GSEs' affordable housing goals. We believe the GSEs have the responsibility, opportunity, and capacity to lead the housing finance industry in serving underserved markets.

NCSHA supports the FHFA's proposal to evaluate and rate the GSEs' performance for each of the three underserved markets under loan product, outreach, purchase, and grants tests.

Each of these test areas is an important component of how the GSEs can serve and enable others to serve these markets.

Though we recognize the GSEs' current economic condition has reduced their incentive to purchase tax-exempt Housing Bonds and Housing Credits, such purchases would be very helpful in addressing the needs of underserved markets and should be reinstated and expanded as soon as possible. Such purchases should definitely be recognized and given substantial credit under the grants test.

In addition, the sale of the GSEs' existing Credit portfolios could have a substantial impact on the overall equity market. As the largest investors in Housing Credit equity until recent years, the GSEs have sizable portfolios of existing investments. Any actions taken by a GSE to dispose of investments in a way that negatively impacts the Credit market would be detrimental to affordable housing and particularly harmful to underserved markets. Alternatively, a well-designed sale that attracts new investors, supports the existing market, and creates a model for future investment could be helpful. NCSHA recommends the FHFA also consider taking into account the GSEs' actions in this area under the duty to serve tests, to the extent they affect the underserved markets in question.

GSEs can pursue other ways to participate in the Credit equity market through mechanisms such as guaranteed funds. Fannie Mae or Freddie Mac could provide a guaranty (for a small fee) on a fund targeted to the underserved markets, which would in turn make certain deals more attractive to investors and improve the availability of capital.

Aggressive, prudent underwriting and effective partnerships with capable entities, like state HFAs, expand the availability of affordable housing for preservation, manufactured housing, and rural areas. FHFA should recognize and give credit to GSE efforts to establish such underwriting criteria and partnerships.

NCSHA supports the FHFA's proposed evaluation rating method. Any method that clearly shows the relative performance of the GSEs under each of the applicable tests for each underserved market would help the GSEs and the public understand where they are meeting their duty to serve and how to improve their performance.

Thank you again for the opportunity to comment on FHFA's plans to evaluate and rate the GSEs' fulfillment of their duty to serve underserved markets. Please contact me if NCSHA can provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth B. Rieman", with a long horizontal flourish extending to the right.

Garth B. Rieman
Director, Housing Advocacy and Strategic Initiatives