



September 18, 2009

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

Dear Mr. Pollard:

The National Alliance of Community Economic Development Associations (NACEDA) appreciates the opportunity to provide comments regarding the Advanced Notice of Proposed Rulemaking (ANPR) and the duty of the Federal Housing Financing Agency (FHFA) to serve underserved populations with respect to housing. NACEDA nationally represents more than 3,000 grass roots community economic development organizations, or Community Development Corporations (CDCs) through a network of 26 state and eight city/regional CDC associations.

Mission and Economic Impact

The mission and economic impact of NACEDA is to empower state and local trade associations to strengthen their communities by assisting CDCs to build affordable and mixed income housing, spearheading ambitious neighborhood economic development strategies, and provide essential services for youth, families, seniors, people with disabilities and the homeless. In this regard, the primary activity of NACEDA members is the development of housing, particularly housing for low-wealth communities and those with special needs. In addition, a community development corporation (CDC) works to produce jobs in low-income neighborhoods. Structurally, CDCs have boards with 51 percent of members drawn from the community in which it operates. This practice ensures that institutions maintain operational focus on community and to serve the community in which it is incorporated.

From the macro perspective, **NACEDA members produced 1.3 million housing units since 1988 and three quarter million new jobs.** These included rental and homeownership. In addition, as federal funding for affordable housing has declined for many communities due to cuts in Community Development Block Grant (CDBG) funding, more CDCs are working in coalition to create regional community reinvestment to ensure good use of scarce dollars, particularly for infrastructure.

Currently the Safety and Soundness Act requires that Government Sponsored Enterprises (GSEs) have an “affirmative obligation to facilitate the financing of affordable housing for low- and moderate-income families.” The Housing and Economic Recovery Act of 2008 (HERA)

modifies the Safety and Soundness Act and establishes that FHFA has a duty to serve distinct very low-, low-, and moderate-income populations, including families with respect to manufactured housing, affordable housing preservation, and rural markets. HERA also requires FHFA to exercise leadership regarding available liquidity in financial investment markets, including loan products and flexible underwriting guidelines.

Performance Ratings

HERA established that GSEs must establish a method to evaluate and rate their performance in serving these markets. NACEDA supports performance ratings and believes they are essential to set a standard to maintain quality housing business practices. Prior to HERA, subsidiaries failed because there were no industry standards for serving specifically these underserved populations. With respect to implementation, NACEDA supports performance measures that uphold the original spirit and intent of the Safety and Soundness Act and the mission of GSEs to provide stability and affordability in affordable housing markets.

Manufactured Housing

With respect to manufactured housing, NACEDA supports flexibility in executing manufactured housing loan transactions and in the underwriting of these loans. Manufactured housing presents a cost effective housing option for low- and moderate-income Americans.

Affordable Housing Preservation

With respect to affordable housing, GSEs can assist the duty-to-serve population in various ways. CDCs routinely witness inconsistent availability of affordable housing, as a result of conversion by owners who no longer participate in affordable housing projects. CDCs also find that entities with affordable rental units and other units find it challenging to identify external funding resources that allow them to maintain and repair facilities in general. As such, considering the mission of GSEs to provide stability and affordability in housing markets, NACEDA recommends flexibility and amenability in creating loan opportunities and developing loan products for for-profit and non-profit developers and individual owners, not only for new construction purposes, but also for renovation, post-construction maintenance and repair.

NACEDA also recommends GSEs assist with programs such as the Neighborhood Stabilization Program in implementing duty to serve. In particular, affordable housing communities would benefit from short-term loans for acquisition of foreclosed properties. Because some developers have smaller thresholds of financing available to them than developers with more financial resources, smaller developers must aggressively locate funding to develop areas proliferated with vacant and dilapidated properties due to foreclosure. As such, the development of innovative loan programs that are flexible and adapt to the needs of unique and smaller developers would be beneficial. The creation of a revolving acquisition fund, for example, would allow a developer the time and funding to purchase, develop, refurbish, and/or maintain property or properties and subsequently return loan payment in a timely fashion. This also would support the redevelopment and renovation of a larger number of properties that are dilapidated in clusters or sections of urban areas.

NACEDA also supports the following programs and activities, per the National Housing Trust, which promote the availability of affordable housing for lowest-, low- and moderate-income individuals and families:

- Loan guarantees at reasonable rates;
- Program related investments and lines of credit at favorable terms (including below-market terms) to established and strong developers and operators of affordable rental housing (both for-profit and not-for-profit); and
- Purchase of seasoned, performing loans to affordable rental properties from Community Development Financial Institutions.
- GSE purchase of loans or investments in affordable rental properties should not be subject to discounts of future Section 8 rental assistance payments and should not be conditioned on Section 8 transition reserves.
- GSEs must actively reach out to state housing agencies and interested preservation purchasers to provide information on Real Estate Owned and delinquent properties in order to help assure that the properties are kept in good shape and even maintained in the affordable housing inventory.
- GSEs should take no action to divest their current portfolio of Low Income Housing Tax Credits, and should be encouraged to purchase new or older Low Income Housing Tax Credits; GSEs could and should consider acting as a potential 'guarantor' in the tax credit market, helping to stabilize the market.

NACEDA again appreciates the opportunity to comment on this FHFA rulemaking. Should you have any questions or if we may provide additional information, please contact Ms. Rachel Audi at 202-659-7701.

Sincerely,

A handwritten signature in cursive script that reads "Jane DeMarines".

Jane DeMarines
Executive Director