

March 10, 2000

Ms. Anne Dewey, General Counsel
Office of General Counsel
Office of Federal Housing Enterprise Oversight
1700 G Street, N. W., Fourth Floor
Washington, D.C. 20552

Dear Ms. Dewey:

The National Association of Affordable Housing Lenders is the only financial services trade association for all players in the field of community reinvestment and development. Started ten years ago by community reinvestment practitioners to share knowledge and accelerate progress in the then-new field, NAAHL today has over 158 organizations, including 70 financial institutions, and 800 individuals as members. Members include banks, thrifts, community development corporations, mortgage companies, loan consortia, financial intermediaries, pensions funds, foundations, local and national non-profits, public agencies, and allied professionals.

Our mission is to increase the flow of private capital into building sustainable communities. As a result, we bring to our review of your proposed rule our members' experience in lending for affordable housing and community development. We are grateful that Mark Kinsey took the time to present your proposal at our 1999 Spring Conference, and we offer these thoughts for your consideration as you develop a final rule.

Our chief concern is that this very complex and granular approach to setting capital standards could happen in a theoretical vacuum that could impose still another barrier to lending to low-income households and in low-income neighborhoods. Given that a secondary market for community reinvestment loans is still very much in its infancy, and that HUD is proposing affordable housing goals for these GSEs to "encourage the GSEs to stretch to do more to serve lower income families, minorities, and residents of underserved populations", it is important that the new capital requirements not serve as a disincentive for financing loans from underserved populations.

For example, the rule proposes significantly higher capital requirements than that imposed on primary lenders for low down payment, home mortgages. These mortgages have been key to homeownership programs for low-income and

minority households, and experience has demonstrated that a number of compensating factors can minimize the risk from these loans.

Similarly, it is also important that the proposed rule not undermine the GSEs ability to finance affordable multifamily finance and rental properties.

Thank you for the time you have taken to help us understand your proposal. We look forward to working with you on the development of a final rule to assure that it does not deny low-income neighborhoods the benefits of access to capital markets.

Sincerely,

[signed Judith A. Kennedy]

Judith A. Kennedy