

# THE RICHMAN GROUP AFFORDABLE HOUSING CORPORATION

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Alfred M. Pollard  
General Counsel  
Federal Housing Finance Agency  
Submitted Via: [www.fha.gov/open-for-comment-or-input](http://www.fha.gov/open-for-comment-or-input)

Re: RIN 2590-AA27

Dear Mr. Pollard:

The Richman Group Affordable Housing Corporation (“Richman”) is the nation’s leading sponsor of low income housing tax credit (LIHTC) investment funds. Since its inception, in 1979 Richman has sponsored over 100 public and private LIHTC investment funds which have invested almost \$11 billion in equity in over 1,500 properties located in 49 states, Washington D.C, Puerto Rico, U.S. Virgin Islands, Guam and Saipan. Richman is pleased to provide the following comments on the proposed rule regarding Enterprise Duty to Underserved Markets. Our comments are limited to questions 41 through 45 as it relates to the proposed rule.

*41. Should FHFA allow the Enterprises to resume LIHTC equity investments? Would the resumption of LIHTC equity investments by the Enterprises benefit the financial feasibility of certain LIHTC projects or would it substitute Enterprise equity funding for private investment capital without materially benefiting the projects?*

From inception of the LIHTC program up to the financial crisis of 2007 – 2008, the Enterprises were active participants in the LIHTC equity sector, investing in both guaranteed and non-guaranteed funds. Indeed, at times while they were active, the Enterprises represented a significant share of the total equity capital in the LIHTC market. When the Enterprises and other large banks ceased or curtailed their investments, credit prices for LIHTC dropped significantly, resulting in a reduction in the production of affordable housing. Most of the equity capital at this time was provided by non-bank (non-CRA) financial companies. The market for LIHTC has recovered from its trough and pricing now equals or exceeds the levels just prior to the financial crisis. The current investor base for LIHTC is now dominated by banks seeking CRA qualified investments. Insurance and other non-bank financial companies have ceased or cut back their investments in LIHTC as a result of the higher credit prices. Banks seeking CRA investments in

large urban large markets is overwhelming, far outpacing the demand for equity in smaller markets where there is limited need for CRA investments. Without the non-CRA motivated investors there is an investor void in the non-“CRA” markets. The Enterprises can and should fill this void, similar to their role prior to the financial crisis when they brought liquidity and stability to LIHTC pricing, regardless of the location. Investing in the non-CRA location will bring much needed enhancement of the financial feasibility of projects in the non-CRA locations.

*42. If FHFA allows the Enterprises to resume LIHTC investments, should FHFA limit investments to support for difficult to develop projects in segments of the market with less investor demand, such as projects in markets outside of the assessment areas of large banks or in rural markets or for preservation of projects with expiring subsidies? Are there other issues that FHFA should consider if limiting the types of LIHTC projects appropriate for equity investment by the Enterprises?*

When the Enterprises were active investors, they did not specifically seek out investments for the sake of location, similar to banks seeking CRA investments. As a result, there was ample liquidity and stability in LIHTC pricing, regardless of the project location. For that same reason, we believe there Enterprises’ activities should not be limited to specific segments of the markets to ensure pricing stability, limit market volatility and to allow the Enterprises to assemble a diversified portfolio consistent with their own internal risk management frameworks. Additionally, CRA rules can change and thus the LIHTC market, in all locations, may become less stable. Having the Enterprises active in the LIHTC market enhances the stability of the entire LIHTC market.

*43. If FHFA permits the resumption of LIHTC equity investments, should Duty to Serve credit be provided only for LIHTC equity investments in projects with expiring subsidies or projects in need of refinancing, or should Duty to Serve credit also be given for LIHTC equity investments in new construction projects with regulatory agreements that assure long-term rental affordability?*

Enterprise Duty to Serve Credit should be provided for all LIHTC equity investments and guarantees without limitation. The tax credit allocation process is complicated, varies state by state and is determined based on each state’s specific affordable needs. Limiting the Duty to Service credit for specific transactions can create unnecessary conflicts between the investment limitations of the Enterprises and the state agency allocation process.

*44. If FHFA allows the Enterprises to resume LIHTC investments, should FHFA limit such investments to those that promote residential economic diversity, for example, by investing in LIHTC properties located in high opportunity areas, as proposed to be defined in § 1282.1, to*

*address concerns raised about the disproportionate siting of LIHTC housing (non-senior) in low-income areas and the effect on residential segregation?*

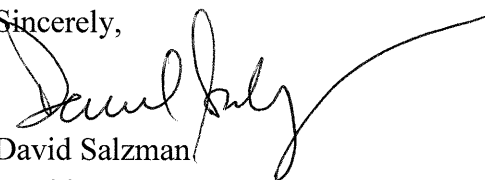
There should be no limitation on the types of LIHTC investments by the Enterprises. Through their respective allocation plans, the states allocating agencies determine which projects receive allocations of LIHTC. As mentioned in 43 above, limitations on the Enterprises' investments will create unnecessary conflicts with the state' allocation process.

*45. Should FHFA consider permitting the Enterprises to act as the guarantor of equity investments in projects by third-party investors provided any such guarantee is safe and sound and consistent with the Enterprise's Charter Act? If so, what types of guarantees should the Enterprises offer?*

Guaranteed LIHTC funds remain an attractive option to certain investors and to some investors, the only option. These funds allow the investor to substitute the risks inherent in investing in a real estate transaction with the credit risk of the guarantor. Some investors that invest in non-guaranteed LIHTC also invest in guaranteed funds as a way of diversifying the overall risk in their portfolio. There has traditionally been a dearth of guarantors in the marketplace. The Enterprises' participation in the market as a guarantor would be a welcome addition. The Enterprises are highly rated, their credit risk would be viewed favorably in the marketplace and they are very knowledgeable of the asset class. The addition of the Enterprises as a guarantor in the marketplace will allow guaranteed investors to further diversify the credit risk in their guaranteed LIHTC portfolios. The guarantees offered by the Enterprises should be consistent with the requirements of the industry which have been traditionally been a guaranteed return of and return on investment. This would result in more equity available to projects throughout the country thus allowing more LIHTC apartment units to be constructed.

Richman appreciates the opportunity to comment on the potential impact of the resumption of LIHTC investing by the Enterprises. We support this proposal. If you wish to discuss the above comments further, please contact the undersigned at (203) 869-0900 extension 333 or [salzmand@richmancapital.com](mailto:salzmand@richmancapital.com).

Sincerely,



David Salzman  
President