COMMUNITY CAPITAL COALITION

July 26, 2012

Mr. Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA49
Federal Housing Finance Agency
Eighth Floor
400 7th Street, SW
Washington, DC 20024

Dear Mr. Pollard:

We appreciate the opportunity to comment on the Federal Housing Finance Agency's proposed rule to establish housing goals for 2012, 2013 and 2014 for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, the Enterprises).

The Community Capital Coalition advocates on behalf of mission-driven housing developers, owners and managers, and Community Development Financial Institutions (CDFIs) who are working to strengthen neighborhoods. We have developed, financed and preserved hundreds of thousands of affordable homes, and raised and invested billions of dollars in capital in small businesses and local schools as part of strategies to revitalize communities. We are the critical drivers for affordable housing and community development in many areas of the country, and our combination of mission focus and business discipline brings a new capacity to deal with longstanding neighborhood needs.

Our overarching concerns are about access to affordable homes by low-income households and the impact of changes to the system on low-income neighborhoods. We believe that housing finance reform needs to maintain a diverse array of lenders and different channels for capital to finance housing and community improvements. Limiting diversity and choice will result in a weaker system. CDFIs, nonprofit lenders, small community banks, credit unions, regional banks, large national banks, the Federal Home Loan Bank System, state housing finance agencies, and a robust secondary mortgage market are all needed in a liquid, transparent, and durable housing finance market.

An issue which unites our diverse membership is the critical importance of open access to financing for the rental housing stock. Accordingly, we focus our comments on the multifamily affordable housing goals and have some comments on other activities that support secondary market finance for affordable rental housing. We support responsible efforts to increase the flow of capital to preserve, rehabilitate and finance the country's rental housing stock. The preservation and expansion of all affordable rental housing, whether it is directly subsidized or not, requires access to affordable, sustainable, long- term mortgage credit. We also support measures to strengthen the finance of multifamily housing, building on the Enterprises' proven multifamily finance models and drawing in more private capital to bear risk ahead of government.[1]

The government has a significant and necessary role to play in fostering a liquid, accessible mortgage credit market that offers affordable and sustainable rental products on fair terms. A federally supported secondary market should have an affirmative obligation to reach underserved markets, including rural areas, properties serving the lowest income residents, economically depressed areas, populations with special needs, and other neglected geographies and people. During this interim period of conservatorship while Congress is still working on overall mortgage finance reform, we endorse FHFA's enforcement of the 2008 Housing and Economic Recovery Act statute that requires the Enterprise goals to be set looking at the alignment between the primary and secondary mortgage markets and includes a retrospective look at the Enterprises' performance in meeting the goals. Whatever system Congress creates to succeed our current system of mortgage finance should include a similar affirmative obligation supported by the entire secondary market.

We applaud the FHFA for examining primary market activity and increasing the minimum goals for low-income multifamily and very low income multifamily for the Enterprises for the period of 2012-2014. The proposed rule notes, however, that Fannie Mae financed 121 percent of its low income multifamily goal in 2010 and Freddie Mac financed 100.2 percent of its goal for low income multifamily. FHFA found that in 2010, Fannie Mae financed 126 percent of its very low income subgoal and Freddie Mac financed 141 percent of its subgoal. Thus, part of context for the increase in the goals for 2012, 2013 and 2014 is that the Enterprises had easily surpassed the requirements that FHFA set for 2010.

The rule notes that the goal and subgoal for 2012-2014 reflect "the unusually high volume and market share the Enterprises experienced in 2011. FHFA believes this level of market share will gradually decrease in 2012 and beyond. …FHFA has taken a conservative approach to setting the multifamily goals for 2012 to 2014 because of the difficulty predicting changes in the market. FHFA may adjust the levels of the multifamily goals at a later date if market conditions so require." We agree with this approach and encourage FHFA to be open to revising the goals if circumstances warrant change.

There are other ways the Enterprises could be helpful in meeting mission goals and the Community Capital Coalition urges FHFA to encourage the Enterprises to do so. The first is the disposition of the Enterprises' portfolios of Low Income Housing Tax Credit investments to mission-driven organizations with sufficient capital, expertise and dedication to maintain the properties as affordable. Both Fannie Mae and Freddie Mac have large investments in multifamily affordable developments that were financed with the Low income Housing Tax Credit. Many of these properties are at or near the Year 15 expiration of compliance restrictions. This affordable housing is a valuable part of the multifamily housing stock that needs to be managed well for the long term. The Enterprises, as investors in the properties, can encourage the preservation of these properties by facilitating the sale or refinancing transactions needed to bring in new capital, and in some cases, new mission-oriented affordable housing owners who will be effective stewards for the long term. If the Enterprises facilitate

[1] For detail, see comment letter submitted by the National Housing Conference commenting on FHFA's Draft Strategic Plan, June 13, 2012 available at http://www.nhc.org/media/files/NHC_Comment_FHFA_Strategic_Plan.pdf.

preservation of affordable housing properties with timely consent, donation of interests, or similar actions, FHFA should credit those actions toward fulfillment of the goals. There is no budget cost to transferring the properties to nonprofits that will not claim any remaining tax credits nor sell the properties.

Additionally, FHFA could work with the Enterprises to meet their mission goals by encouraging the Enterprises to dispose of single family REO properties to mission-oriented housing developers to be used as rental housing. As noted in the proposed rule, current market conditions and research strongly indicates increasing demand for affordable rental housing as the homeownership rate drops. The disposition of the Enterprises' inventory of single family REO could be a useful tool in increasing the affordable rental housing stock if the Enterprises accept bids from qualified nonprofit bidders who intend to use the housing as affordable rentals. If the Enterprises sell REO to mission-oriented housing developers who intend to use it as affordable rental housing, the Enterprises should receive credit under mission goals for this activity.

The proposed rule requests comments about whether the Enterprises should receive goals credit for multifamily transactions that convert properties from affordable rents to market rate rents. On the face of it, the answer is that the Enterprises should not receive goals credit for transactions which reduce the stock of affordable housing. However, we recognize that there may be instances when recapitalization of a property might result in higher rents and that it is sometimes difficult to forecast at underwriting what rents will be over time. Thus, prohibiting goals credit for any transaction which results in higher rents might be ill-advised. It seems that a better approach might be to forbid goals credit for any transaction where the underwriting assumes the lifting of state or federal affordability restrictions on rents.

We view these comments on proposed housing goals as the beginning of a longer conversation on the future of the housing finance system. Keeping in line with CCC's commitment to ensuring access to affordable rental housing, we believe that a revitalized system should include means to assure adequate financing for tools like the National Housing Trust Fund, the Capital Magnet Fund, the FHLBs' AHP program, and credit enhancements and risk sharing with private capital to meet affordable housing needs. The new system needs to include program design features like a strong role for the states, leveraging, and accountability for performance.

Please feel free to contact Kris Siglin at Siglin@housingpartnership.net if you have any questions or need further clarification.

Sincerely,
Center for Community Self-Help
CFED
Consumer Federation of America
Enterprise Community Partners
Housing Partnership Network
LeadingAge
Local Initiatives Support Corporation

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Mercy Housing, Incorporated
National Low Income Housing Coalition
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Opportunity Finance Network
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