NATIONAL HOUSING TRUST

April 9, 2010

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590–AA26
Federal Housing Finance Agency,
Fourth Floor, 1700 G Street, N.W.
Washington, DC 20552

Dear Mr. Pollard:

The National Housing Trust is a national nonprofit organization that focuses specifically on the preservation of existing rental housing that is affordable to the nation's lowest-income households, including households that include elderly or disabled individuals. The Trust has directly developed or provided technical assistance or loans to preserve and improve over 22,000 affordable apartments. The Trust welcomes the opportunity to provide comments to the Federal Housing Finance Agency (FHFA) on the proposed 2010-2011 Enterprise Affordable Housing Goals, and specifically on the multifamily affordable housing subgoal.

Principles for Supporting Affordable Multifamily Housing

The Trust is particularly concerned about the viability and continued affordability of HUD-assisted project-based Section 8 portfolio and properties with HUD-assisted mortgages and rent restrictions (Section 221(d)(3) and Section 236). However, GSEs should also focus on ways to assist in the preservation of LIHTC properties and conventionally financed properties that are at risk of being converted to non-affordable uses, including those at risk of possible conversion as a result of default over the next 36 months. To the maximum extent possible, the Enterprises should support tools that will permit such properties to serve households at the same income levels as current households for at least as long as the full term of the mortgage products offered. Participation in conventional financing for rental properties serving moderate income households is also important, especially in high-cost markets. But such activities do not substitute for and should not be counted toward products and services to preserve and expand the inventory of rental properties serving low-income, very low-income, and extremely low-income households.

Multifamily financing that relies upon rent increases that will inevitably displace existing low income residents is inconsistent with affordable housing goals, even if the higher-income tenants that follow are still within the "low income" category. We strongly urge that any financing that relies upon significant unassisted rent increases should not be counted toward satisfying affordable housing goals.

The proposed rule notes that "Fannie Mae and Freddie Mac comprise a large portion of the multifamily market. As a result in 2009, they not only led the multifamily market, they effectively were the market." Rather than focus on numerical target that set a very low threshold within this context, the Enterprises should work to address the larger unmet demand for affordable multifamily financing in a more robust manner.

Therefore, we support the proposal to add a new subgoal for very low-income housing. We also believe that the Enterprises can do more to serve extremely low-income housing needs by reviewing their approach to financing housing with HUD project-based Section 8 rental subsidies (which is a primary method of serving extremely low-income households). This can be done with expanded forward commitments, continued support of LIHTCs (on both a primary and secondary basis), and offering permanent financing for properties rehabilitated through the Neighborhood Stabilization Program and other HUD grants, and reasonably priced bond guarantee products. We applaud Fannie Mae's recent commitment to accept Section 8 appropriations risk and encourage that this and similar efforts be recognized as an important element of meeting affordable multifamily housing goals by FHFA.

The proposed rule appropriately notes that "mortgages on small properties are usually more expensive to originate and underwrite." The Enterprises should actively expand efforts to purchase good quality loans on affordable multifamily properties from CDFIs and other mission-oriented originators.

Activities

FHA should actively promote Enterprise activities that support the preservation of rental properties affordable to low income, very low-income, and extremely low-income properties, including, but not limited to:

- Loan and bond guarantees at reasonable rates (guarantees provided by the GSEs have recently experienced significant price increases);

- Program related investments and lines of credit available to strong for-profit and nonprofit mission-oriented intermediary lenders and developers for bridge financing and longer term financing of affordable rental housing at terms that are the same or better than conventional market products;

- Purchases of affordable multifamily rental property mortgages from CDFIs;

- Flexible underwriting of preservation transactions that balances the inherent risks of preserving government subsidized properties in underserved markets with the strength and experience of the development team. In some cases, this will require partnerships with specialized loan originators that can perform more detailed analysis of individual preservation transactions in order to identify and mitigate acceptable risk in these transactions;

- Underwriting standards that incorporate post-rehab rents for preservation properties, but only when the long-term affordability of the property is protected by federal use restrictions or new loan covenants that extend for the entire period of the loan;

- Special financing products for “green” affordable rental housing on terms that are the same or better than those offered to “green” conventional market properties;

- Loans or investments in affordable rental properties that are not subject to discounts of future Section 8 rental assistance payments or conditioned on Section 8 transition reserves;

- Outreach to and collaboration with state housing agencies and interested preservation purchasers to provide information on their REO and delinquent properties in order to help assure that the properties are kept in good shape and maintained in the affordable housing inventory;

- Maintaining the current GSE portfolio of Low Income Housing Tax Credits unless some mechanism exists to ensure that the prices of these assets do not fall below a specified level;

- Guarantees of LIHTC pools to help stabilize the market; this is especially important given the fact that over 50% of the units that were financed with low income housing tax credits in 2007 involved rehabilitation of existing housing. We are aware of such funds being established that provide profitable returns for the guarantors. We would welcome the opportunity to discuss this with the GSEs and FHFA.

- Given the significant refinancing needs of multifamily loans between now and 2012 and the impact that this could have across the range of rental properties serving low- and moderate-income households, FHFA should exempt multifamily loans from GSE mortgage portfolio limits through at least December, 2012.

Evaluation

In general, the Trust believes that previous attempts to encourage the GSEs to serve affordable housing have often focused on numerical targets rather than on qualitative impacts, and that often these efforts have had limited effectiveness in promoting affordability. As part of its responsibility to oversee the affordable housing goals, we urge the FHFA to focus on the overall quality and effectiveness of the GSEs' ability to serve these markets, rather on fixed numerical targets.

In encouraging and evaluating the GSEs affordable housing efforts, we urge the FHFA to consider three categories of engagement that, taken together, will help to promote both innovation and broad application of effective practices to preserve and expand the supply of affordable housing. The categories for evaluation are:

- Project-specific efforts, where new products or processes limited to individual properties can be attempted and evaluated;

- Prototypes, where new products or processes are applied to transactions with specific characteristics, such as properties owned by large mission-oriented owners, properties with expiring HUD-subsidized mortgages, or properties in a limited geographic area;

- Market-wide coverage, which would include products or processes that are available to the broadest range of customers, geographic areas, and properties. While the project-specific areas are intended to encourage innovation and evaluation on a limited basis, the market-wide engagement will ultimately have the greatest impact on the GSEs service to affordable housing.

Thank you for the opportunity to provide these comments. If you have any questions, please contact me at 202-333-8931, extension 130.

Sincerely,

Toby Halliday
Vice President, Public Policy