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April 12, 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:

Thank you for the opportunity to comment on the proposed 2010-2011 Government Sponsored Enterprise Affordable Housing Goals, particularly the multifamily affordable housing subgoal.

Enterprise is a national nonprofit organization. We create opportunity for low- and moderate-income people through fit, affordable housing in diverse, thriving communities. Enterprise provides financing and expertise to community-based organizations for affordable housing development and other community revitalization activities throughout the U.S. For over 25 years, Enterprise has invested over $10 billion to create more than 270,000 affordable homes and strengthen hundreds of communities across the country.

In addition to establishing robust affordable housing goals for the Government Sponsored Enterprises ("GSEs"), we would like to take this opportunity to comment on other ways FHFA could promote responsible multifamily housing finance. We encourage you to use your regulatory powers and new GSE product oversight to encourage Fannie Mae and Freddie Mac to provide greater liquidity in the market for Low Income Housing Tax Credit (LIHTC) investments. Until recently, Fannie Mae and Freddie Mac provided about 40 percent of LIHTC investments annually. However, as you know, they are not currently investing in LIHTC transactions.

It may not be practical for Fannie Mae and Freddie Mac to make new LIHTC investments, because their future structure and tax liability are uncertain. However, their considerable expertise could help restore the investment market if they were to guarantee/securitize LIHTC investments made by others, including both banks and other less experienced corporate investors, and we believe that such a role clearly lies within their affordable housing mission. Guaranteeing/securitizing LIHTC investments would provide greater liquidity for the market, a source of revenue to the GSEs, and credit risk protection for investors.

For bank investors, the GSE guarantee could potentially reduce the amount of capital required to make an investment by 80 percent, subject to re-affirmation of existing policy by the Federal Reserve Board. We also believe the GSEs would attract new, non-traditional investors by offering products which divide what is normally a 15-17 year investment into shorter-duration investment segments.

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We would welcome the opportunity to discuss these issues with the FHFA staff.

Multifamily Affordable Housing subgoal:

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 targets that set a very low threshold within this context, the GSEs should work to address the larger unmet demand for affordable multifamily financing in a more robust manner.

We support the proposal to add a new subgoal for very low-income housing. We also believe that the GSEs 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), offering permanent financing for properties rehabilitated through the Neighborhood Stabilization Program and other HUD grants, and reasonably priced bond guarantee products.

The proposed rule appropriately notes that "mortgages on small properties are usually more expensive to originate and underwrite." The GSEs should actively expand efforts to purchase good quality loans on affordable multifamily properties from CDFIs and other mission-oriented originators who have strong underwriting standards and loan performance data when compared to the general multifamily market.

Activities:

There is much that the GSEs can and should do to support the multifamily housing market. The products and services that the GSEs should be encouraged to offer include:

- Loan and bond guarantees at reasonable rates (guarantees provided by the GSEs have experienced significant price increases);
- Special financing products for "green" affordable rental housing on terms that are the same or better than those offered to "green" conventional market properties;
- 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;

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- Purchase of affordable multifamily rental property mortgages from CDFIs;

- To the extent practicable, 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.

- GSEs should reach out to state housing agencies, recipients of Neighborhood Stabilization Program fund recipients, and other interested preservation purchasers to provide information on REO and delinquent properties in order to help assure that the properties are kept in good shape, sold to protect neighborhood stability, and maintained in the affordable housing inventory;

- 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.

Again, thank you for the opportunity to comment on the proposed rule. For further information please contact me at (202) 649-3921.

Sincerely,

Alazne M. Solis
Senior Vice President
Public Policy and Corporate Affairs