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Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, N.W.
Washington, D.C. 29552
ATTN: Comments/RIN 2590-AA27

Dear Mr. Pollard

Thank you for the opportunity to offer comments on the proposed rule RIN 2590-AA27 to establish the Duty to Serve Underserved Markets for Fannie Mae and Freddie Mac. My comments are specifically focused on the Enterprises' duty to serve the affordable housing preservation market.

Atlanta Neighborhood Development Partnership (ANDP) is a 20-year housing nonprofit with a long-term mission to support mixed income housing throughout Metro Atlanta and a current focus on addressing the devastating effects of foreclosures and vacancies in the region. ANDP is an active member of the Housing Partnership Network (HPN), a business alliance of the nation's top-performing, high-capacity development organizations.

Historically, affordable housing preservation has been primarily focused on multifamily properties. Today, in the midst of our nation's largest foreclosure crisis, affordable housing preservation must be understood and considered in both a multifamily and single-family context.

Metro Atlanta is the nation's third emptiest city after Las Vegas and Detroit¹. Eighty-five percent of our poor, the highest percentage in the country, live outside of the City limits². A significant portion of this population has been living in detached single family homes (rental and homeownership). These homes and the neighborhoods in which they are located are at extreme risk. The housing stock is rapidly deteriorating due to the harmful impact of foreclosure vacancies including home vandalism, lack of repair and little or no maintenance. Homeowners living in owner-occupied residences no longer have access to credit to make needed repairs. These homes and these neighborhoods provide the majority of Metro Atlanta's affordable housing stock. They are subject to loss absent efforts by the Enterprises to preserve them.

¹ *America's Emptiest Cities*, Forbes Real Estate Survey, February 2009

² *The Suburbanization of Poverty*, Brookings Institute, January 2010 p. 9

I support the proposed rule which adds the Neighborhood Stabilization Program (NSP), an initiative administered by state and local governments with funds provided by HUD, as an eligible state and local housing program for purposes of the duty to serve the affordable housing preservation market. This rule should encourage the Enterprises to create innovative loan products for both multifamily and single-family NSP transactions.

ANDP has approached representatives of both Fannie Mae and Freddie Mac about developing an NSP-focused single-family conventional mortgage product to be used with soft-second programs of 20 percent or above. With loan-to-value ratios at 80 percent and mandatory eight-hour NSP homebuyer counseling requirements, the risks to the Enterprises in offering such a product would be significantly mitigated.

Beyond the Enterprises' important efforts to keep people in their homes through loan modifications, repayment and other workout plans, and Deed-for-Lease programs, the Enterprises should facilitate innovative purchase money mortgage products in neighborhoods targeted for NSP. The availability of purchase money capital will help ensure the preservation of critically needed affordable housing stock in single-family neighborhoods.

Responsible private investor purchasers of vacant single-family homes play a significant role in preserving and maintaining a quality supply of affordable housing. The Enterprises need to play a lead role in ensuring that there are flexible sources of capital to allow prospective homeowners and responsible investors to purchase and repair foreclosed homes. With limited credit for purchase/repair transactions, we are concerned that the REO market will be dominated by irresponsible investors with plans to hold vacant properties for quick resale or rent out physically distressed homes without adequate rehabilitation.

The Enterprises should also expand their current REO efforts (i.e. Fannie Mae's HomePath and Freddie Mac's HomeStep programs) which lead to the preservation of affordable housing. As single-family homeownership has been stripped from vulnerable neighborhoods, targeted REO sales efforts to responsible buyers will help stabilize communities and preserve affordability. Success in these efforts should be considered as part of the goal. High homeownership rates increase property values and stabilize neighborhoods because of decreased turnover and greater upkeep and maintenance.³

Multifamily also remains a critical component. We concur with points raised by other housing-focused nonprofit organizations, including:

- The Enterprises should consider it a "duty" to transfer distressed multifamily to mission-oriented owners for preservation purposes.
- Fannie Mae has made efforts to alter its underwriting guidelines for properties receiving Section 8 subsidies to more fully count the value of these subsidies and eliminate the requirement for sponsors to retain significant reserves as a hedge against appropriations risk for Section 8. This action should be encouraged through the new rule.

³ *Absentee Landlords, Rent Control and Healthy Gentrification*, Cornell Journal of Law and Public Policy, February, 2008

We also concur with draft points prepared by the Consumer Federation of America and others, including:

1. Equity or debt investments in CDFIs that specialize in aggregating capital to invest in preserving and rehabilitating smaller rental properties. Examples of such entities include CIC in Chicago and CPC in New York.
2. Developing streamlined processes for underwriting debt on smaller properties that lower the transaction costs for these smaller loans. High transaction fees have been an impediment in the past.
3. Providing guarantees on low income housing tax credit (LIHTC) equity to broaden the market for equity investment.
4. Developing risk sharing partnerships that could extend the Enterprises' ability to underwrite debt on smaller properties with lower transaction and due diligence expenses.
5. We also strongly urge FHFA to include various forms of assistance that the Enterprises might make available to public housing agencies (PHAs) to assist them in preserving and/or upgrading housing they own and manage, and to local and state governments to assist in programs they operate for the same purposes. We also endorse including support for state-funded or supported programs to preserve assisted affordable homes in assessing the duty to serve requirement.

Finally, we concur with additional draft points offered by the Consumer Federation of America and others regarding the proposed requirement for the Enterprises to file an "underserved markets plan." We believe that transparency should be a fundamental element of the Enterprises' plans. These plans should be made available to the public promptly after they have been filed, so counterparties and other interested parties can fully understand what the Enterprises propose to do in carrying out their plan.

Most importantly, we strongly urge that these plans be subject to public review and comment before being adopted. Merely allowing the Enterprises to propose benchmarks and targets, as proposed in the rule, without feedback or input from interested parties, risks adoption of plans that will not significantly increase the Enterprises' work in these areas, or that will emphasize work that is of less value than other alternatives.

Again, thank you for the opportunity to offer comments on the proposed rule RIN 2590-AA27.

Sincerely,



John O'Callaghan
President and CEO

Atlanta Neighborhood Development Partnership