Louisiana Community Reinvestment Coalition
4119 Earl Dr., Alexandria, LA 71303 / 717 St. Mary's Place, Bogalusa, LA 70427

Federal Housing Finance Agency
Multifamily Housing Policy
400 7th Street, S.W., Room 9-261
Washington, DC 20024

September 1, 2013

Re: Public input on contracting Fannie Mae and Freddie Mac's multifamily loan products

To whom it may concern:

Thank you for the opportunity to provide input on these important issues facing the FHFA. My comments are from the perspective of a former community investment officer/vp of the Federal Home Loan Bank (HLB) of Des Moines, U.S. Department of Treasury/CDFI Fund New Market Tax Credit evaluator and current Chair of the Louisiana Community Reinvestment Coalition. Comments/responses to the questions are as follows:

1. Loan terms

a. Should FHFA consider loan terms as a factor in how to reduce the Enterprises' multifamily businesses? If so, what loan terms or combination of loan terms should be targeted for contraction? Should shorter term loans only be used by the Enterprises for loss mitigation or maturity management purposes?

Response: *Yes, shorter loan terms should be eliminated, except in the instances above, to contract the Enterprises' multifamily loan business. Furthermore, longer term loans (ten years) should be expanded and loans with 15 year maturities/25 year amortizations should be offered to match the compliance period for multifamily Low Income Housing Tax Credit's (LIHTC) and some tax exempt bond projects. These projects currently receive financing with similar terms from the HLB/ Community Investment Program (CIP) advances because they are eligible for the discount that is roughly priced at each HLB's cost of funds.*

b. If the Enterprises ceased providing shorter term loans, such as 5-year term loans, would banks, commercial lenders and other private capital sources provide these loan products?

Response: *Yes, regional HLBs are an excellent source of short and long term wholesale advances to their stockholder banks that may or may not be mortgage matched to loans on multifamily property. These advances can help a bank extend its liabilities and mitigate interest rate risk. Additionally, HLB member financial institutions use single family collateral to secure advances under their blanket pledge agreements which provides them with easy access to such funds.*

2. Variety of loan products.

a. Should the FHFA consider simplifying and standardizing the Enterprises' multifamily loan products? If so, which loan product or mix of loan products are most important for the Enterprises to offer? Which of the Enterprises' loan products would private financing sources most readily provide?

Response: *Yes, the FHFA should simplify and standardize the Enterprises' multifamily loan products to offer only 10 year or 15 year mortgage matched (amortization repayment schedules equal to the multifamily project loan terms) products on property whose rents are affordable to families having incomes up to 115% of the county Area Median Income(adjusted for family size of the apartment). The only exception for shorter terms loans should be for loss mitigation or maturity management purposes.*

The HLBs currently provide comparable advances to the loan products offered by the Enterprises as all advances (short term, long term, LIBOR based, etc.) they make to their stockholder financial institutions result in increased dividends to member banks. This would provide an incentive to non megabank/insurance companies that are HLB stockholder financial institutions to borrow more on a wholesale short term basis resulting in a positive outcome for both.

b. If the Enterprises' loan products were simplified and standardized, would this create an opportunity for private capital sources to expand their market presence by providing more specialized financing options to borrowers?

Response: *Yes, and it would encourage smaller banks to utilize the advance window at the HLBs that historically has been used the most by their mega banks/insurance company member stockholders. This would, also, encourage the HLB Boards of Directors to expand each*

HLB's market presence by providing more specialized financing options to meet stockholder member financial institution demand.

c. Should FHFA consider adopting common loan terms, product features and underwriting requirements for similar types of loans that are available from each of the Enterprises?
Response: *Yes, the FHFA should consider adopting loan terms, features and underwriting requirements for similar types of loans available from each of the Enterprises.*

3. Limits on property financing:

a. Should FHFA consider imposing limits on the maximum amount of financing that is available to a property under the Enterprises' loan products, with adjustments for high cost markets?
Response: *Yes and no, the FHFA should impose limits on the maximum amount of financing that is available to ensure that the rents being charged are affordable to low and moderate income families. This is defined as no more then 30% of 115% of median income by county and adjusted by apartment family size for the HLB's CIP advances and for State Housing finance Agency multi family tax exempt revenue bond projects.*

No adjustments are necessary for high cost markets since county median income charts adjusted by family size used to be and I believe still are produced annually by HUD for the entire country.

b. Should FHFA consider re-imposing multifamily loan limits? If so, should the loan limits apply on a per unit basis or on the basis of the maximum mortgage amount that is available to a property?
Response: *The FHFA should re-impose multifamily loan limits on a per unit basis so the Enterprises have easy access to the number of bedrooms per unit. The rents that can be charged should be based on the family size HUD has determined can occupy a unit based on its number of bedrooms.*

c. Should FHFA consider imposing limits on the maximum rents that can be recognized in loan underwriting based on a schedule of rents that are affordable to tenants up to a certain percentage of Area Median Income, adjusted for household size, for number of bedrooms and for high cost markets? If so, what should be the percentage of Area Median Income used to limit the underwriting rents? In addition, should FHFA consider imposing limits on the percentage of total units financed by the Enterprises in any

calendar year which have rents that exceed the maximum underwriting rents derived from applying this formula?

Response: *Yes the FHFA should impose maximum rent limits and the percentage of Area Median Income(AMI) used to limit underwriting rents should be 30% of the 115% AMI adjusted by family size, by county as published by HUD annually.*

*The FHFA should **not** consider imposing limits on the percentage of total units financed by the Enterprises in any calendar year which have rents that exceed the maximum because the FHFA should prohibit the Enterprises from financing such projects in the future. High end multifamily rental property has ample sources of private sector capital. Prohibiting the financing of these units in the future would enhance the goal of contracting the Enterprises' multifamily business considerably.*

d. If FHFA took some or all of the actions contemplated in a, b or c above, would other sources of financing be available to address the liquidity needs of this market segment?

Response: *Yes, other sources of financing would be available to address liquidity needs as HLB members can participate in mortgage matched advances to fund multifamily loans to the extent permissible in consortium arrangements.*

However, large dollar amount multifamily loans that have affordable rents and those that involve advances subsidized by the HLBs' Affordable Housing Program (AHP) would be an exception that would not have other sources of financing available. As an example, there was an instance where a LIHTC developer applied for and received, through a local HLB member, a .25 basis points AHP subsidy (discount) on a $6 million multifamily mortgage matched advance with a 15 year maturity/ 25 year amortization. He wanted this discount in order to lock in the interest rate on the project during the two year reconstruction period (HLB/DM rate locks used to be up to a two week time period within a 60 day period) so in this instance the bank had to be a mega bank to avoid participating the loan out to a large number of other banks and to still be in compliance with the loan to one borrower regulatory restrictions.

4. Limits on business activities

a. Should FHFA consider reducing the scope of the business activities engaged in by the Enterprises, such as by limiting their business to loans that provide new liquidity and prohibiting the purchase of seasoned loans or loan pools?

Response: *Yes, that will reduce the scope of business activities engaged in by the Enterprises even further.*

b. Should FHFA require that the Enterprises only provide loans that can be securitized and sold to investors? Should the Enterprises' portfolio purchases only be used for aggregating loans prior to securitization and to support special products for underserved market segments for which securitization may not be an option?

Response: *The answer is yes to both questions as this is a critical role for the Enterprises with regard to their multifamily business. They should securitize and provide niche products for underserved market segments that private capital traditionally does not support.*

c. If FHFA took some or all of the actions contemplated in a or b above, would this create the opportunity for private capital sources to expand their market presence by providing more financing options to borrowers?

Response: *Yes, this would create the opportunity for private capital sources to expand their market presence for the reasons stated previously.*

5. Other alternatives: Are there other options that FHFA should consider to achieve the strategic goal of contracting the Enterprises' multifamily businesses to reduce their presence in the housing finance market and support the entry of private capital?

Response: *No, the options outlined are adequate if the recommendation to begin offering 15 year mortgage matched maturities is adopted.*

Thank you again for the opportunity to provide input and look forward to your final decisions regarding these matters. If you have any questions or need additional information please call me at 318-442-4758.

Sincerely,

Nancy Grandquist Fields

Nancy Grandquist Fields, Chair
Louisiana Community Reinvestment Coalition