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Federal Housing Administration
OHRP Multifamily Housing Policy
400 7th Street S.W, Room 9-261
Washington, D.C. 20024

RE: 2014 FHFA Strategies for GSE's

As a critical stakeholder, Oak Grove Capital welcomes the opportunity to provide The Federal Housing Finance Agency (FHFA) input regarding the multifamily lines of business at Fannie Mae and Freddie Mac (the Enterprises). We understand FHFA's plan to gradually reduce Fannie Mae's and Freddie Mac's presence in the multifamily finance market over time and the strategies that FHFA has outlined to reduce the multifamily businesses.

Our objective in responding to FHFA's request for input is twofold: *First,* represent the views of Oak Grove Capital, a privately-owned Agency lender with a commitment to Senior, Affordable and Market rate multifamily housing. *Secondly,* represent the views of our clients who are entrepreneurs (e.g. owners, operators, managers of multifamily real estate) and importantly Agency borrowers.

Oak Grove Capital is one of the few firms that have been licensed by all major government agency lenders: Federal National Mortgage Associate, Federal Home Loan Mortgage Corporation, US Department of Housing and Urban Development, the Federal Housing Administration and the Government National Mortgage Association. Oak Grove is a Fannie Mae DUS lender, Freddie Mac Program Plus lender, a Freddie Mac Targeted Affordable lender, a FHA MAP approved lender, a FHA LEAN approved lender, and a GNMA approved seller servicer.

As FHFA considers the future of the multifamily businesses, we believe we bring a unique perspective for the following reasons:

- Exclusive focus on Agency lending (we do not provide other services or represent other lenders);
- Expertise on Seniors and Affordable housing lending (each represent approximately 1/3 of our annual production and servicing portfolio);
- Risk Capital comes 100% from employee shareholders – true alignment of interests.

Over the years Oak Grove Capital has established outstanding relationships with Fannie Mae and Freddie Mac. Consequently, and equally importantly, we have achieved "*subject matter expert*" status with our borrowers. These efforts result in our ability to efficiently originate and underwrite higher quality Agency loans – **in all asset classes, all geographic markets, in all economic cycles.** This outcome provides tremendous value to our Borrowers, the Enterprises, America's population most in need of rental housing, and Oak Grove Capital.

The Enterprises, through private partnerships with firms such as Oak Grove Capital have consistently provided liquidity, stability and affordability to the multifamily housing and mortgage markets. Of particular note are the loan products that assist in the production and preservation of affordable housing in markets across the United States.

In the past four years, through the Fannie Mae DUS program and Freddie Mac Targeted Affordable housing programs, Oak Grove Capital has closed over $2 billion in loans that have financed 38,700 units of affordable housing across the United States. Today, Oak Grove Capital has top loss risk sharing (with both Fannie Mae and Freddie Mac) on a $ 2.1 billion portfolio of affordable housing loans that we have originated on behalf of approximately 200 different borrowers. This level of production and preservation of affordable housing would not have been possible during the past four years, without the broad spectrum loan products offered by the Enterprises through private partnerships with firms such as Oak Grove Capital.

The Enterprises' multifamily loan performance has proven that any government subsidies or guarantees provided to the multifamily businesses have not adversely affected the economy or the tax payers. In fact, the data clearly demonstrates that the multifamily programs have been extremely successful, with minimal losses, thus indicating the programs have been very well conceived and managed, have strong leadership, and have successful outcomes for the multifamily industry, particularly during the recent deep recession. The decision to remain a relevant lender during a time when most all private forms of capital were exiting the market has created both profits, and a loyal borrower following.

Regarding FHFA's plan to gradually reduce Fannie Mae's and Freddie Mac's presence in the multifamily finance market over time, we welcome the re-introduction of private capital to the multifamily lending business. The demand for more capital for different durations creates opportunity for banks, life insurance companies, CMBS, and other private capital. Banks are lending again, as are the insurance companies, and there is increasing activity with conduit (CMBS) executions. Here are our concerns:

A) Private capital is focused on construction loans, and class-A apartments in major metropolitan areas and does not provide liquidity or stability to all other aspects of multifamily housing (e.g. affordable, seniors housing and market-rate workforce housing);
B) These sources of capital can be fleeting, and on their own, do not provide the stability and liquidity necessary for the capital needs of the multifamily

Annual Origination Volume of Commercial Mortgages ($ millions)		
Year	**Life Insurers [1]**	**Conduit CMBS [2]**
2006	44,084	202,690
2007	42,694	230,170
2008	26,666	12,150
2009	16,389	4,970
2010	30,707	11,010
2011	45,518	29,970
2012	45,601	44,410

1. American Council of Life Insurers - Investment Bulletin IB13-009
2. MBA Commercial Real Estate/Multifamily Finance Quarterly Databook (Q1-2013)

As it relates to first mortgage lending, **in all asset classes, all geographic markets, in all economic cycles** we believe the Enterprises have a tremendous opportunity to continue being the most relevant lender in the highly attractive multifamily lending business. In this regard we believe any limitations on loan terms, product offerings, property types or business activities will be detrimental to our Borrowers, the Enterprises, America's population most in need of rental housing and Oak Grove Capital.

In summary, the Enterprises' multifamily programs, through private partnerships with firms such as Oak Grove Capital, are well received in the industry, are a reliable and stable source in a wide geographically diverse area, have negligible losses and are well run. The programs work.
In response to the specific proposals in the FHFA News Release, we offer the following comments:

Loan Terms: The need for a spectrum of loans, short and long term, is important to the multifamily industry. However, our portfolio has very few shorter term (5 yr) loans in our portfolio.

Variety of Loan Products: The Enterprises' should have flexibility in providing a wide variety of loan products. The Enterprises need the ability to structure loans that fit different circumstances. These situations change with respect to markets, borrower preference, tax matters, affordable housing equity, subordinate lender conditions, acquisition and rehab loan structure parameters, multiple property situations and other unique property and borrower related needs. The need for a menu of products that have been developed in connection with DUS and Freddie lenders and Affordable, Market Rate and Senior Housing owner partners is critical as a market resource across product lines. This allows for continuity, certainty, and the ability to be in all market all the time. Flexibility is the key in changing markets and for unique situations, particularly in the Affordable Rental Housing business.

Limits on Property Financing: Loan limits would have a negative impact Oak Grove's ability to close market rate loans in large, higher income/higher rent markets. There are other capital sources, which compete for this business; however, many GSE lenders are active in these markets, and loan limits could impair our ability to offer full menu of options to borrowers that are active in both affordable and market rate apartments. Also, this would also impact Senior Housing as rents often times include ancillary services and health care.

Limits on Business Activities: The scope and flexibility of business activities by the Enterprises helps in their ability to be in all markets at all times and to provide financing for properties on which the private sector won't focus; such as affordable and seniors housing. Banks, life companies and CMBS would not fill this gap to the extent needed, thus resulting in disruption to the industry.

The Fannie DUS model of individual securitized loans (or multiple loans) and the Freddie Mac aggregation securitization models work and are well accepted by borrowers and investors. Both models should be available to provide the widest range of opportunities to keep the system efficient and cost effective. The securities markets and rating agencies understand and actively work with the Enterprises to improve both models, thus allowing for consistent, dependable and competitive pricing and stable markets.

Oak Grove would be pleased to discuss the specifics of FHFA's plans and the potential market impact of the various strategies at your convenience.
Sincerely,
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OAK GROVE CAPITAL

By: ______________________
Brian Ranallo
Chief Operating Officer