



September 20, 2013

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

**RE: August 9, 2013 Notice For Public Input on 2014 Multifamily Scorecard**

To Whom It May Concern:

On behalf of the shareholders, employees and most importantly, the residents in our apartment communities, Pinnacle welcomes the opportunity to provide comments on the Federal Housing Finance Agency's (FHFA's) proposed strategies to further contract Fannie Mae and Freddie Mac's multifamily mortgage activities.

Pinnacle is a privately held organization that manages and invests in multifamily and office properties nationwide. Pinnacle is one of the largest multifamily management companies in the United States, managing a portfolio of approximately 135,000 units.

We find it difficult to comment on FHFA's options to implement program changes to shrink Fannie Mae and Freddie Mac's capacity because we view the proposed action as wholly unnecessary. While the perception might be that Fannie Mae and Freddie Mac play an "outsized" role in multifamily mortgage markets, the facts tell a wholly different story.

The enterprises' market share continues to decline and has actually fallen more than the 10 percent FHFA mandated at the start of the year. Indeed, the Mortgage Bankers Association estimates the multifamily origination market in 2012 was approximately \$143 billion, with Fannie Mae and Freddie Mac financing 44 percent of that total. If estimates for a 30 percent or larger increase in multifamily lending in 2013 are accurate, Fannie Mae's and Freddie Mac's market share likely will decline to the 30 percent level or below. This drop reflects the fact that private capital sources have been, and will continue to be, the primary source of mortgage debt for the apartment industry.

On a macro level, our firm's market experience leads us to conclude that artificially limiting the debt provided by the Fannie Mae and Freddie Mac's multifamily programs will harm owners and investors in apartment real estate by limiting options and creating voids in select markets. Private commercial real estate debt can be limited or, in some cases, unavailable in local markets, making critical a national debt source that features a full range of mortgage options.

Furthermore, it is vital to note that Fannie Mae and Freddie Mac support and complement all sources of multifamily debt, and do not exist solely as capital sources in the market. Because they provide the widest range of multifamily mortgage products in today's market, they have broad influence on other debt providers and lead the industry in standard setting. As such, without the

Enterprises, the market will lose the competition and innovation that has benefitted borrowers and renters alike.

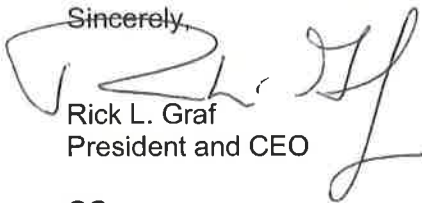
Additionally of concern, multifamily credit markets do not have a one-for-one replacement dynamic among participants, which in turn creates meaningful instability in our market if any one participant arbitrarily withdraws. All other sources of multifamily mortgage debt have constraints on their mortgage products, but also have their own beneficial access to capital. Banks have access to depository capital, insured deposits and can borrow from the Federal Reserve at a discount. Insurance companies and pension funds have no requirements or mandates to meet public purpose goals, allowing them to place capital in only the most desirable and beneficial markets, and with the most experienced and credit worthy owners. Accordingly, if implemented, FHFA's proposed actions would negatively impact access to capital and increase borrowing costs market wide to the detriment of borrowers and renters.

Our firm and its clients use Fannie Mae and Freddie Mac as primary sources of debt financing for both acquisitions and refinancing. The loss of these important capital/debt sources would be catastrophic for our firm and the industry as a whole.

Fannie Mae's and Freddie Mac's multifamily lending programs are a model for prudent apartment real estate lending. Their programs have a long history of strong credit performance and have recently adapted to both backstop the markets effectively and shift their programs from balance sheet investment lending to securitized lending. We implore FHFA to avoid implementing further reductions or placing caps on Fannie Mae and Freddie Mac's origination levels and securitization activities with regard to multifamily finance.

We appreciate the opportunity to share our views and welcome your questions, should you have them.

Sincerely,



Rick L. Graf  
President and CEO

CC:  
Congressman Kenny Marchant  
Texas State Senator John Carona  
Texas State Representative Stefani Carter  
Senator Ted Cruz  
Senator John Cornyn  
Congressman Sam Johnson  
NMHC c/o David Cardwell

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