



May 21, 2009

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA25
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552

Dear Mr. Pollard:

On behalf of the membership of the National Multi Housing Council (NMHC) and the National Apartment Association (NAA), we are pleased to submit our comments on the affordable housing goals for Fannie Mae and Freddie Mac for 2009. The mission of Fannie Mae and Freddie Mac to serve the housing needs of all families seeking affordable rental and for-sale housing is critical to our economy.

As you are aware, and noted in the May, 1, 2009 Federal Register, (12 CFR Part 1282), there is great uncertainty in the housing market, including the market for multifamily housing. NMHC and NAA strongly endorse your decision to establish the goals at levels commensurate with the levels that were achieved in previous years, but also caution that even these goals may be challenging, especially the multifamily special affordable housing goal.

Market Impact on Multifamily Lending

In light of expanding maturity default risk and the impact of deteriorating market conditions, we expect limited property acquisitions, declining reinvestment and fewer loan originations and refinancing opportunities for Fannie Mae and Freddie Mac. Further, we believe that their own portfolio of maturing loans will present challenges that will require added attention as many loans will not be able to meet the capital requirements and loan terms for new debt. We expect the 2009 loan and transaction volume to be less than 2008 and believe the proposed goal level will present a challenge to the two firms.

Loan Modifications and Extensions

Given the market challenges and the need to manage the maturity default issue, we encourage FHFA to treat loan modifications or extensions of 36 months as a new or refinanced loan in 2009. As a result of falling property values and stress on rental income due to the extreme economic and employment issues faced by apartment owners, many owners will not be able to refinance their loan. With few mortgage sources in the market, existing GSE borrowers will have few refinancing options, which in turn will challenge Fannie Mae and Freddie Mac to be creative in how they respond to maturities and loan distress in their portfolios. As such, Fannie Mae and Freddie Mac must be encouraged to consider options to prevent loan default forcing bankruptcy and foreclosure actions in order to preserve rental housing and prevent disinvestment. Thus we encourage FHFA to include mortgage modifications on multifamily properties toward the affordable housing goals.

Special Affordable Housing Production Issues

Opportunities to serve the development and preservation of low- and moderate-income rental housing will also face challenges in 2009. Due to the high-cost of development, the limitations on investments through low-income housing tax credits, and the disruptions in the short-term bond markets, limitations by the regulator/conservator on liquidity risk on tax-exempt bond credit enhancements will make it more difficult for the two firms to serve the targeted markets.

FHFA Actions to Support Affordable Housing Production Goals

FHFA can enhance the ability of Fannie Mae and Freddie Mac to meet the affordable rental housing needs of low- and moderate-income families by extending permission for the two firms to serve as liquidity provider for tax-exempt variable-rate multifamily mortgage bonds. As investors come to the market, it would be prudent to increase the ability of Fannie Mae and Freddie Mac to provide credit enhancement on these bond instruments, thereby providing needed mortgage financing. FHFA should work with the firms to develop a reasonable market response to providing liquidity.

We appreciate the opportunity to comment and should you need further information or have any questions, please contact David Cardwell, NMHC Vice President of Capital Markets and Technology at (202) 974-2336 or dcardwell@nmhc.org.

Sincerely yours,



Douglas Bibby
President
National Multi Housing Council



Douglas Culkin
President
National Apartment Association