

N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LEADERS

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The National Association of Affordable Housing Lenders (NAAHL) is a national association of for-profit and non-profit lenders committed to increasing the flow of private capital to underserved areas. We represent America's leaders in moving private capital to those in need. This "who's who" of private sector lenders and investors includes major banks; blue-chip, non-profit lenders including CDFIs; and others in the vanguard of affordable housing.

We welcome the opportunity to provide FHFA, the Treasury Department, and HUD with information about the best ways to facilitate the disposition of the Enterprise and FHA REO assets. In the Request for Information (RFI), the agencies ask for disposition strategies that may include the following: 1) support for affordable housing; 2) involvement/investment of private capital; and 3) both one-to-four unit single family homes and condominium REOs.

Both our banks and nonbanks have worked in partnership with each other and in cooperation with state and local governments to make "lemonade" out of this lemon of a mortgage meltdown. Local solutions to local real estate challenges have contributed to a variety of new ways to increase the supply of affordable rental homes. The common thread among this great diversity of local partnerships is their focus on small businesses, the "Ma and Pa" landlords who hold the key to affordable rental housing and economic recovery in distressed neighborhoods.

Given the scale of the REO overhang, with 200,000 properties owned by Fannie Mae and Freddie Mac, and another 1.2 million of their loans nonperforming now, it is appropriate to re-examine the agencies' retail sales strategy that relies on only some HUD grantees. Significant progress in neighborhood stabilization and increasing the supply of affordable rental housing requires building on what we know works, with and without Federal subsidy. The success many other non-profit lenders and local governments have had in stabilizing their neighborhoods with public-private partnerships even without the benefit of "first look" opportunities could help to pick up the pace of REO resale and refinance.

Examples of practical suggestions for keeping pace with the unprecedented number of foreclosures and the need to scale up workable local solutions to providing more affordable rental homes and stabilizing neighborhoods include the following:

1. Expand the agencies' partnerships to encompass all qualified local governments and non-profit lenders. For example, first look opportunities on agency REO should be provided to any 501(c) (3) lender with audited financials confirming a 5-year track record of making mortgages on affordable rental housing, including Treasury certified Community Development Financial Institutions (CDFIs) and Community Development Entities (CDEs). These organizations have vast experience with distressed neighborhoods and misunderstood assets, as well as the ability to leverage private capital.
2. Consider bulk donations to local governments. Just as mortgage lenders have contributed REO to local governments to support neighborhood stabilization, the agencies should do the same in recognition that the longer a property is for sale the more value it loses and the more neighboring properties are adversely impacted. Local governments can then partner with non-profit partners to stabilize the properties for resale or rent.

3. Put a spotlight on recent state and local government innovations such as Illinois' Distressed Condominium Act of 2010. The law empowers local jurisdictions to seek court orders to deconvert distressed condominiums into rental units. In Chicago, for example, judges have issued 14 deconversion orders already, freeing up the property for renovation and sale for affordable rental housing.
4. Don't discourage investor owners of "single family" properties. Small scale properties in older areas have historically been owned by both homeowners and investors. For example, most of the owner-occupied urban properties in Massachusetts are 2-3 family properties that also provide rental homes for low and moderate income (LMI) households. In the neighborhood stabilization program in Massachusetts about 40% of the properties being financed are being held as rental properties for LMI after rehab.
5. Encourage Fannie Mae and Freddie Mac to purchase well-underwritten, seasoned "small" multifamily loans (under \$3 million) they eschew. Nonbank lenders need liquidity to accelerate refinancing of troubled condominium conversions across the country.
6. The Treasury's term sheet for the Small Business Lending Fund (SBLF) excluded Community Development Loan Funds that lend on multifamily housing. As U.S. Rep. Barney Frank (D-Mass.) has pointed out, this is a particularly inappropriate time to deny lenders that are willing to lend on multifamily housing full participation in the SBLF. Treasury should revise the term sheet to include multifamily lending under the definition of "small business lending" and accept applications from CDFIs that are the lifeblood of affordable rental housing

We look forward to working with the Federal agencies to provide more detail on these and other local initiatives NAAHL members are involved in that hold considerable promise for scaling up the disposition of the agencies' REO.

Sincerely

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