

September 3, 2004

Re: Docket No. FR-4937-N-01

Office of the General Counsel
Rules Docket Clerk
Room 10276
Department of Housing and
Urban Development
451 Seventh Street, SW
Washington, DC 20410-0001

Dear Sirs:

Members of the National Association of Affordable Housing Lenders (NAAHL) appreciate the opportunity to comment on the Proposed Fair Market Rents for the Housing Choice Voucher Program and Moderate Rehabilitation Single Room Occupancy Program Fiscal Year 2005.

NAAHL represents America's leaders in moving private capital to those in need. Our nearly 200 member organizations include 71 insured depository institutions, 50 non-profit providers, GSEs, insurance companies, pension funds, foundations and others committed to increasing private capital lending and investing in low- and moderate-income communities.

We strongly oppose the changes in the methodology for calculating Fair Market Rent (FMR) Schedules for FY2005, including the "rebenchmarking" of the FMR calculation using 2000 Census data or Random Digit Dialing Surveys, and the change in metropolitan area definitions replacing "Metropolitan Statistical Areas" with "Core-Based Statistical Areas", with subdivisions called "Metropolitan Divisions". These methodological changes will significantly harm the Section 8 Housing Choice Voucher Program by substantially decreasing FMRs in many areas, resulting in decreases in subsidies available for voucher recipients, and discouraging preservation of assisted housing – further straining the stock of affordable rental housing.

The decrease in FMRs, in many instances, will result in decreased revenues for property owners participating in the Section 8 program, reducing the level of operating funds available to existing property owners to maintain their properties, while discouraging the production of new affordable homes. Some owners may need to evict voucher holders and/or refuse to rent to tenants with vouchers.

In addition, we are concerned that the change in Metropolitan Area Definitions will complicate the program for insured depository institutions. For instance, in Chicago, where there is now one Metropolitan Statistical Area, there would be four statistical areas. Institutions' efforts to meet the credit needs of their communities, including low- and moderate-income persons, will be needlessly complicated by the multiplicity of "statistical areas" within one community.

We are also concerned that HUD announced these proposed rule changes in the middle of the August vacation season, with only a 30-day comment period.

These proposed changes ultimately will curtail access to safe, affordable housing for thousands of low- and moderate-income families, and we urge HUD not to adopt them.

Sincerely,

Judith A. Kennedy
President