

August 1, 2005

Office of the General Counsel
Rule Docket Clerk, Room 10276
U.S. Department of Housing and Urban Development
451 7th Street, S.W.
Washington, DC 20410-0001

Subject: Docket No. FR-4995-N-01; HUD-2005-0010
Proposed Fair Market Rents for Fiscal Year 2006
For the Housing Choice Voucher Program

Gentlemen:

The National Association of Affordable Housing Lenders (NAAHL) represents America's leaders in moving private capital to those in need – 200 member organizations committed to increasing private capital lending and investing in low- and moderate-income (LMI) communities. Members are the “who’s who” of private sector lenders and investors in affordable housing and community development: banks, thrifts, local and national nonprofits, mortgage companies, loan consortia, financial intermediaries, pension funds, foundations, and public agencies.

We appreciate the opportunity to comment on the proposed Fair Market Rents (FMRs) for FY06, including the changes in methodology to determine payment standards for the Housing Choice Voucher Program in FY06 and future years.

NAAHL's members strongly support the Housing Choice Voucher Program, which provides rental assistance to more than two million very low-income households who live in privately owned housing. Because the Housing Choice Voucher Program is critical to assuring millions of very low-income families of access to safe, affordable housing, we urge HUD to minimize disruptions to the program in implementing any changes to the calculation for FMRs. The FMRs influence the income limits for program participants and annual adjustment factors for rental subsidies that are critical to this program, as well as other programs' ability to assist needy families.

NAAHL supports the concept proposed by HUD of carving out separate FMR areas for areas whose Fair Market Rents would increase or decrease more than 5% as a result of the changes in methodology for determining payment standards. However, as currently proposed, there would be uneven treatment of new FMR areas or sub-areas. For instance, HUD carved out separate FMR areas in some places, and not others. In addition, FMRs for some areas have

been appropriately raised, but other areas have not; some areas have been protected from large decreases, while other were not. If it seems important to calculate certain areas as sub-areas, than it should likewise be important to set a floor to protect sub-areas from big decreases.

If HUD moves forward with implementing carve-outs, we urge you to hold harmless any communities that would receive a large decrease in FMRs. This policy should apply whether the excessive reduction would occur in nonmetropolitan counties; counties being removed from one metropolitan area and placed in another; counties being removed from metropolitan areas entirely, and subparts of new metropolitan areas lacking sufficient data to permit estimation of a separate FMR. To ensure that all areas are treated equally, and are equally protected from large decreases, we urge HUD to set a floor of 5% for decreases in FMRs, for all FMR areas in any part of the country from one year to the next. This will minimize the impact of changes in FMRs on program participants and voucher holders.

We also recommend that HUD minimize disruptions caused by shifting between the 50th and 40th percentile rents. Rather than add and subtract certain areas to the list of those eligible for the 50th percentile FMRs, HUD should return to a system of FMRs based on 50th percentile rents in all parts of the country. Should HUD be unwilling to take this step, it should at least constrain FMRs, so that the loss of a 50th percentile designation does not produce an FY06 FMR more than 5% lower than the final FY05 FMR in any area of the country.

We look forward to working with you to restore and then maintain the effectiveness of affordable housing programs.

Sincerely,

Judy Kennedy
President