



Mercy Housing

National Lending & Development Consulting

September 18, 2009

Mr. Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA27
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552

Dear Mr. Pollard:

Mercy Housing is a national nonprofit organization whose mission is to create stable, vibrant and healthy communities by developing, financing and operating affordable, program-enriched housing for families, seniors and people with special needs who lack the economic resources to access quality, safe housing opportunities.

Mercy Housing strives to:

- Increase the availability of *affordable rental housing* by building new housing and preserving affordable rental housing;
- Expand *affordable homeownership opportunities*;
- Provide community capital through *Mercy Loan Fund*;
- Link housing and health through the *Strategic Healthcare Partnership*;
- Provide effective *property management* that promotes community stability and safety;
- Develop and strengthen on-site *resident programs* that address economic development, education, health and wellness, and community needs.

Mercy Housing was founded in 1981 by the Sisters of Mercy of Omaha, Nebraska in response to the urgent need for quality, affordable housing. Today, Mercy Housing, co-sponsored by 13 groups of Catholic sisters, is active in 41 states and has developed, preserved, financed and/or managed nearly 37,000 affordable homes for over 124,000 people across the country. Mercy Housing serves families, seniors, and people having special needs living at or below 80% of their area median incomes. The median annual income of Mercy Housing resident families is \$19,034.

Mercy Housing envisions a more humane world in which poverty is alleviated, communities are healthy and all people can develop their full potentials. Through affordable housing and supportive programs we are able to help people improve their economic statuses, transform neighborhoods, and stabilize lives.

Mercy Housing is pleased to provide comments on how the Enterprises could enhance their roles in the financing, product development and grant making activities in two Duty To Serve areas where we have significant business needs: Affordable Housing Preservation and Rural Markets.

www.mercyhousing.org

Affordable Housing Preservation

Mercy Housing considers Affordable Housing Preservation to encompass the preservation, including the acquisition and rehabilitation, of both affordable rental housing and single-family housing and will address the vital need of the Enterprises of both below.

Preservation of Rental Housing

Mercy Housing's *Preservation Initiative* is a national effort to curb the potentially devastating loss of affordable housing at a time when almost no new housing for those with the greatest need is being produced. Over 2.3 million units of affordable rental housing are at risk of disappearing from the affordable housing inventory, as rent or interest rate subsidy contracts expire and current owners choose to opt out of these programs designed to sustain affordability. Mercy Housing preserves these crucial housing resources by acquiring and improving portfolios of at-risk properties.

As of June 1, 2009, Mercy Housing has completed 36,956 rental and home ownership units. Of this total, 25 percent or 9,354 units in 186 projects are affordable housing preservation units. In addition, we currently have 87 units in 4 projects under construction.

Importantly, Mercy Housing has 1,586 units in 75 projects that are family rentals and 451 units in 18 projects in senior housing rentals.

In 2008, as a part of its *Preservation Initiative*, Mercy Housing preserved its 83-unit Malden Arms Apartments in Uptown Chicago as affordable housing rather than lose the property to market-rate housing. Mercy Housing Lakefront plans to preserve about 1,750 homes combined between now and 2016. We hope that our experience in renegotiating the financing for these buildings will serve as a model for other housing providers across the nation.

The Enterprises could provide financing either to its lender base or through Mercy Loan Fund, a U.S. Treasury approved Community Development Financial Institution (CDFIs), with both short-term and long-term loan products that have more flexible debt service coverage ratios, in particular, and provide pricing incentives for Green development so that there is both cost efficiency and longevity in the finished project. The provision of credit enhancement of bond transactions would be an innovative product development to encourage as the bond market is particularly weak in today's economic environment. With diminishing city and state subsidies, there is much need for grants to fill financing gaps, provide resident services, and other assistance to make these projects viable.

Preservation of Single-Family Housing

The recent foreclosure crisis cries out for non-profit developers and loan funds, indeed the entire housing industry, to partner with the Enterprises and the states and municipalities receiving Neighborhood Stabilization Program (NSP) funds.

Mercy Housing has the experience, expertise, capacity and the newly-created comprehensive strategy to contribute to the neighborhood stabilization priorities outlined in the NSP program. Our approach, starting under contract with the City of Chicago, is to work in a series of critical neighborhoods identified by the city that have a high proportion of foreclosed and/or abandoned properties that are in need of purchase, repair and either sale/or rental to low-and-moderate income families. The widespread

stabilization of communities cannot be achieved without the preservation of these homes which is why we strongly advocate single-family housing be included in the definition of Duty To Serve for the Enterprises.

The Enterprises can help Mercy Housing and others expand their development and leverage their lending expertise in dozens of needy communities by:

- Providing non-profits with REO in NSP-targeted neighborhoods at a significant discount;
- Grants to facilitate 'community connections' between non-profit NSP developers, home buyer counseling agencies, and potential homeowners; and to support software to track the acquisition, rehab, sale, and reporting to HUD of NSP properties;
- Low cost loans to Mercy Loan Fund and other CDFIs to provide low cost loans to NSP purchasers to fill affordability gaps.

Rural Markets

Small community and rural market development and lending have been a priority for Mercy Housing as these have been historically underserved markets. Mercy Housing has completed 17,845 units in 449 rural and small community projects. This represents over 58 percent of our completed projects – clearly a significant focus for us. In addition, we have 110 units in 4 projects under construction in these marketplaces. We use HUD's definitions to define 'rural' and 'small community.'

Magnolia Village in Americus, Georgia is one example of a successful combination of rental housing preservation in a rural market. It is home for residents making less than 60 percent of the area median income (\$29,400). To repair the 34-year-old property, Mercy Housing Southeast invested about \$45,000 per apartment in the 80-unit property.

Mercy Loan Fund, utilizing a \$5 million line of credit from Fannie Mae, made a \$1.9 million loan to the non-profit developer Cabrillo Economic Development Corporation, to finance Valle Naranjal farm worker housing in Ventura County, California. The new project will serve households earning 30 to 45 percent of the area median income.

The Enterprises could extend line of credit to CDFIs at below-market rates to enable the loans made to truly reach low income families. While rigorous credit standards are important, we believe that the Enterprises and banks have an opportunity to review the track records of CDFIs and make their lending decisions based on performance as much as on the particular deal. With respect to housing development, long-term take out financing is a key product area that could be more competitive to encourage rural market affordable housing. As noted above, grants provide a vital role to fill financing and resident service gaps these projects need.

In closing, the Enterprises can be a significant catalytic force in preserving rental and single-family housing and increasing lending in rural markets.

Sincerely,



Sr. Lillian Murphy, RSM
CEO
Mercy Housing