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May 29, 2009

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Alfred M. Pollard, General Counsel  
Federal Housing Finance Agency  
Fourth Floor  
1700 G Street, N.W.  
Washington DC 20552  
Attention: Comments

Re: Portfolio Holdings IFR/RFC [RIN 2590-AA22]

Dear Mr. Pollard:

I am writing on behalf of Citizens Housing and Planning Association (CHAPA), a statewide non-profit housing advocacy and research organization located in Massachusetts. CHAPA has a Multifamily Finance Committee, which is comprised of practitioners from the public, private, and non-profit sectors and these comments reflect the input of these members.

We appreciate the opportunity to respond to the January 30<sup>th</sup> Federal Register Notice requesting comments on future federal policy with regard to the mortgage portfolio holdings of Fannie Mae and Freddie Mac. Our comments primarily concern the important role these enterprises have and should continue to play with regard to multifamily housing, including affordable housing.

### General Principles

The GSEs have been key to affordable multifamily lending. Any revisions to current regulatory oversight must protect and support that role and acknowledge that the current GSE problems stem from the single-family rather than the multifamily side (the latter has performed well and profitably). Revisions should also acknowledge that it was not the growth of portfolio size in and of itself that created the current GSE problems, but rather the quality of the assets (due to poor underwriting) and a failure to anticipate falling property values. Even now, for example, Fannie Mae's problems are primarily due to falling property values that have created a capital ratio problem.

### Purchase of Mortgage Assets for Portfolio (Questions 1-5)

It is critical for Fannie Mae and Freddie Mac to continue to hold multifamily mortgages in their portfolios in order to maintain the availability of capital for development and preservation of this stock. The rationale for such purchases is to fill

a market gap (as opposed to maximizing GSE profits), as private lenders generally don't offer long-term financing and the secondary market is very limited. Portfolio limits would eventually make it impossible for the GSEs to serve the multifamily market and ultimately eliminate liquidity. Portfolio holdings should be guided by reasonableness, not shrinkage. Any changes in portfolio standards must acknowledge the complicated nature of multifamily projects (compared to single family lending).

Current accounting rules encourage banks to hold multifamily mortgages to maturity and eliminate capital ratio problems by exempting such holdings from mark-to-market requirements. *Treasury should consider extending this exemption to the GSEs* (at least for affordable assets).

#### Countercyclical Standards (Question 11)

Given the basic role of the GSEs as providers of liquidity, we believe that it is very important for the GSEs to play a countercyclical role with standard mortgages. Rather than a countercyclical policy for non-standard multifamily mortgages, we recommend that they consistently be purchased for portfolio without limits (see Question 17).

#### Linking Portfolio Purchases to Affordable Housing Goals (Question 15)

We strongly support affordable housing goals but do not support requiring that assets purchased for portfolio each year comply with the affordable housing goals and sub-goals. In general, requiring strict adherence would limit the ability of the GSEs to respond flexibly to needs in the multifamily market (not just the affordable multifamily market). This seems particularly unwise in these uncertain times, as it is unclear what affordable goals, if any, will be operational this year and new multifamily goals are due to be established in 2010. As an alternative, we recommend requiring the GSEs to report against a set of transparent public mission performance measures.

#### Affordable Portfolio Holdings (Question 16)

The GSEs should be allowed to hold without limits whole loans (or securities backed such loans) that finance affordable housing whose debt is not easily securitized. Whole loan holdings are particularly important. We also strongly support risk-sharing to ensure portfolio soundness. Risk retention is consistent with past Fannie Mae and Freddie Mac practices, including participation in credit enhancements and Fannie's requirement that designated underwriters always hold part of the loan.

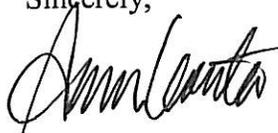
Allowing portfolio purchase without limit alone, however, is not sufficient to ensure an adequate system for financing multifamily affordable housing. Such loans must also be subject to sound underwriting, risk management, and capital ratio requirements. In addition, lenders should be encouraged to incorporate into standard underwriting elements that are often an inherent and reasonable part of affordable developments (e.g. Section 8 contracts) rather than treating affordable housing loans as different from other multifamily loans.

Limits on long-term holdings (Question 17)

We support requiring the GSEs to maintain a minimum level (or ratio) of short-term or callable debt relative to its long-term, fixed-rate mortgage assets. As noted above, we believe that it is critical that the GSEs continue to purchase and hold multifamily mortgages to maturity. As such purchases rise over time, short-term holdings must also rise to ensure GSE liquidity.

Thank you for considering these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Aaron Gornstein". The signature is written in a cursive, flowing style.

Aaron Gornstein

Executive Director