August 18, 2014

Mr. Theodore W. Tozer  
President  
Ginnie Mae  
U.S. Department of Housing and Urban Development  
Room PC 3FL  
451 7th Street S.W.  
Washington, DC 20410

Dear Mr. Tozer:

We are writing to request that Ginnie Mae increase its loan-to-cost limits for the U.S. Department of Agriculture’s (USDA) Rural Development (RD) Section 538 Guaranteed Rural Rental Housing Loan Program which helps finance multifamily rural housing. We ask that Ginnie Mae enhance its securitization for the Section 538 Program loans by raising the current 50% loan-to-cost threshold to a 70% loan-to-cost. The Section 538 Program has been a success for Ginnie Mae with five years of stable performance and it seems appropriate to take the next step.

As background, the Section 538 Program was enacted in 1996, as Section 538 of the Housing Act of 1949, to build new affordable rural housing as well as preserve the existing Section 515 portfolio P.L. 104-120 (March 28, 1996) (42 U.S.C. Section 1490p-2). The Section 538 Program is targeted to low-and moderate-income rural residents with incomes no greater than 115 percent of area median income, though most residents are low or very low income. Qualifying properties include either new construction or acquisition/rehabilitation of properties.

While the Section 538 Program is administered through USDA’s Rural Development offices, much of the success of the program has occurred through Ginnie Mae’s participation. The undersigned organizations represent borrowers and lenders whose members have worked with the program and believe the program can be enhanced by increasing the potential pool of interested participants while maintaining the program’s prudent credit requirements. Increasing the loan-to-cost would be an important step to increase participation.

We believe the 50% loan-to-cost is not meeting the potential financial needs of the program. The change to 70% loan-to-cost will allow the industry to increase usage closer to the optimal $150 million level that has been budgeted for the program. RD can easily implement the loan-to-cost increase through simply indicating in the next NOFA that RD and Ginnie Mae have agreed to increase the 70% loan to value (See RD HB1-3565 Chapter 4D). In addition, increasing the loan-to-cost to 70% would open up the possibility of using 4% LIHTC with tax exempt bonds for new-construction Section 538 transactions.
Please contact Colleen Fisher, Executive Director for the Council for Affordable and Rural Housing at (703) 837-9001 (cfisher@carh.org) to arrange any meeting or additional discussion.

Sincerely,

Council for Affordable and Rural Housing
Mortgage Bankers Association
National Association of Affordable Housing Lenders
National Association of Home Builders
National Leased Housing Association

cc: Philip H. Buckley, Director, Multifamily Division