



160 Clubhouse Road
King of Prussia, PA 19406

November 26, 2021

Clinton Jones
General Counsel
Attention: Comments/RIN 2590–AB17
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20219

Re: Enterprise Regulatory Capital Framework Proposed Rule – Prescribed Leverage Buffer Amount and Credit Risk Transfer

Dear Mr. Jones,

Morgan Properties is pleased to provide comments on the Federal Housing Finance Agency’s (“**FHFA**”) proposed Enterprise Regulatory Capital Framework (the “**Proposed Rule**”).

Morgan Properties is a privately-owned real estate investment firm founded in 1985 by Mitchell Morgan, who is its chief executive officer today. He is assisted in the operations of the business by his sons, Jonathan and Jason Morgan.

Morgan Properties operates two divisions: the first owns and operates a sizeable multifamily portfolio and the second is one of the largest purchasers of B Pieces issued by Freddie Mac in connection with its K Series program.

Background on Morgan Properties

Multifamily Portfolio

Morgan Properties owns and manages a portfolio of nearly 350 communities with approximately 95,000 apartment units in 20 states serving approximately 150,000 residents. Morgan Properties multifamily portfolio is valued at approximately \$15 Billion. The properties are primarily concentrated in the Mid-Atlantic, with most of our properties located between Northern Virginia and Northern New Jersey, with a substantial presence in Western New York. In total, Morgan Properties has over 2,600 employees.

According to the National Multifamily Housing Council, Morgan Properties is the second largest owner of multifamily housing in the United States and it believes that it is the largest (or second largest) owner of multifamily housing in Pennsylvania, New York, New Jersey and Maryland.

The average rent for a one-bedroom apartment owned and operated by Morgan Properties was approximately \$1,300 as of September 2021 and the average rent for a two-bedroom apartment was approximately \$1,600. The average apartment owned by Morgan Properties is leased to residents with an average combined household income of approximately \$72,000. Typical employers of our residents include hospitals, state and local governments and retail establishments.

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Company Mission and Strategy

Morgan Properties exclusively focusses on providing quality housing to working class Americans (these properties are sometimes referred to as Class B properties). Morgan Properties typically seeks to purchase garden style apartments built in the 1960's through the 1980's that are located in infill suburban locations and to then improve our residents homes by renovating their kitchens and bathrooms, installing in-unit washers and dryers, and adding new resident amenities.

In 2020 alone, Morgan Properties invested over \$130 million of capital in renovating and improving its properties. Immediately upon purchase of a property, Morgan Properties focuses heavily on investing capital to address all life safety, building code violations and asset preservation needs of the property, typically within 90 days of purchase. As soon as the immediate needs are addressed, Morgan Properties then focusses on remedying all deferred maintenance needs and addressing outstanding in-apartment work orders. Once the property has been stabilized, Morgan Properties begins to add and/or upgrade existing amenities, such as fitness centers, package rooms, playgrounds, dog parks, sport courts, as well as replacing kitchens, bathrooms and windows in the units at the property.

After the property has been improved, Morgan Properties continues to invest in the properties. It develops a five-year capital plan for every property and then continues to update that plan each year. The investment decisions are consistent with Morgan Properties approach of holding assets for decades. For example, in the last few years, it has spent considerable amounts of money replacing windows with energy efficient windows and seeking to remove or encapsulate lead-based paint which are investments a short-term holder would never consider.

Morgan Properties does not have a goal of gentrifying its properties or of changing any neighborhoods that it enters – it seeks to stabilize and gradually improve its individual communities and then provide best-in-class workforce housing that continues to be affordable to its existing base of residents.

Major Agency Borrower

Since our company mission of providing quality workforce housing is well-aligned with that of Freddie Mac and Fannie Mae, Morgan Properties is a frequent Freddie Mac and Fannie Mae borrower. Morgan Properties had loans with an outstanding principal balance, as of September 30, 2021, of \$6.14 billion owed to Freddie Mac, \$2.64 billion owed to Fannie Mae, and \$1.07 billion owed to all other lenders.

As workforce housing is at the core of Freddie Mac and Fannie Mae's mission, our experience is that, together with their lenders, they are simply the best at underwriting the risks associated with workforce housing. Their lending program helps ensure stability in asset pricing for multifamily assets. Our experience has been that Freddie Mac and Fannie Mae are both predictable and prudent. They are clear as to their underwriting and lending standards and do not deviate from them either when times are good or when times are difficult. Moreover, Freddie Mac and Fannie Mae consistently provide loans that meet their rigorous underwriting standards throughout the business cycle. Their predictability decreases uncertainty around lending, and thus decreases asset price volatility throughout the business cycle. Loans come due, and need to be refinanced, every day, including in recessions. Without the stability provided by Freddie Mac and Fannie Mae's lending programs, multifamily asset pricing would wildly fluctuate, leading to debt-driven excessive speculation and pricing bubbles during market expansions and excessive foreclosures in the multifamily space during downturns.

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Our experience with other financial institutions has been less favorable. Other lenders have tended to have plenty of funds available when the market is rising and have been prepared to support very aggressive valuations, but simply cannot be found when the market becomes challenging (such as in March through May of 2020 as the economy started to drop into a deep recession). Such lending behavior increases asset price volatility. Therefore, it should not be a surprise that, when considered together with the strength of the underwriting process at Freddie Mac and Fannie Mae, the default rate of Freddie Mac and Fannie Mae are a fraction of the default rates experienced by multifamily CMBS lenders (see discussion and chart below).

Because we can depend on Freddie Mac and Fannie Mae to consistently provide loans, using the same lending criteria, we strongly prefer to borrow from them to provide the capital needed to invest in, and reinvest in, our portfolio of quality workforce housing.

Debt Platform

Since 2018, Morgan Properties has become one of the largest buyers of subordinate debt components (so called “**B Pieces**”) of multifamily mortgage loans that are regularly sold by Freddie Mac pursuant to its K Series bond program.

Morgan Properties has purchased 25 separate B Pieces, representing between a 5% and 7.5% first loss position on securitizations consisting of an aggregate of approximately \$25 billion of unpaid principal amount on approximately 1,153 separate mortgages.

Prior to purchasing a B Piece, Morgan Properties engages in a robust due diligence exercise to re-underwrite every loan in the proposed pool to ensure that the risks match the expected rewards. We review every property’s income statement and construct a model to evaluate the likelihood of default, stressing all key assumptions, we send underwriters to visit every property in the pool, reviewing the market and the competitive set, we independently develop an opinion of value and carefully compare our opinion against each of the appraisals.

Based on our extensive due diligence on these 1,153 separate mortgages, we are always impressed with the quality of Freddie Mac’s underwriting. We believe that Freddie Mac consistently makes loans in line with their core mandate to provide lending to work force and affordable housing without taking imprudent risks.

The Proposed Rule

As stated in the Proposed Rule, the FHFA is seeking to ensure that Fannie Mae and Freddie Mac (collectively the “**Enterprises**”) are properly capitalized, allowing them, both during and after conservatorship, to operate in a safe and sound manner in order to properly fulfill their statutory mission to provide stability and ongoing assistance to the secondary mortgage markets across the economic cycle.

As both a major borrower from the Enterprises and a purchaser of mortgage securities, we strongly support these goals. We firmly believe that Morgan Properties is only able to provide quality housing to working class Americans if a thoughtful regulatory framework is put in place that creates a proper set of incentives for the Enterprises to operate in a safe and sound manner. If the Enterprises were to engage in unreasonable risk taking (which we have not seen them do), we believe it would add tremendous risk and volatility to our markets, which would eventually put the working class multifamily homes that we own and operate in jeopardy.

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Further, we believe that the capital requirements of the Enterprises should be set in a manner that helps ensure that the Enterprises act in a prudent manner and, in particular, protects the US taxpayer from the types of problems that caused the US Government to place the Enterprises in conservatorship during the Great Recession. However, the Proposed Rule will fail to achieve their ultimate goal (ensuring adequate capital to withstand a sizeable downturn), if the minimum capital requirements are not properly structured to reflect the actual risks of the specific underlying activities of the Enterprises. In particular, if the capital requirements are not appropriately tied to the risk profiles of the different lines of business conducted by the Enterprises, the regulations may create perverse incentives for the Enterprises to grow those riskier business lines that require less capital compared to safer business lines that may require proportionately greater capital.

That said, we believe that the Proposed Rule is a solid move in the right direction, and we congratulate the Staff of the FHFA for continuing to evaluate this complicated, but vitally important, issue. In particular, the Proposed Rule appears to be a much more flexible and dynamic approach to the capital requirements than the existing regulatory structure and, in particular, it seems to better account for the impact of credit risk transfer (“CRT”) on a prudent capitalization of the Enterprises. However, we strongly believe that the Proposed Rule could be improved further.

Morgan Properties’ Recommendations

As discussed in further detail below, Morgan Properties believes that the Proposed Rule should be modified in two respects:

- First, while we support the decision to reduce the CRT Risk Weight Floor from 10% to a lower number, we are uncertain that there is a solid rationale for setting that Risk Weight at 5% - it strikes us as a somewhat arbitrary number that is not connected to the actual risk of CRT. We would suggest that the Staff revisit this floor.
- Second, Morgan Properties believes that the historical losses and systemic risks associated with mortgages on single family homes are simply categorically different from the loss history and risks associated with mortgages on multifamily homes. It urges the FHFA to instruct the Enterprises to develop appropriate, but separate, capitalization levels that take into account the nature of the risks associated with the two main lines of business: the acquisition of mortgages secured by single family homes and separately the acquisition of mortgages secured by multifamily homes.

Credit Risk Transfer.

Credit risk transfer (CRT) transactions transfer potential credit losses on single-family and multifamily mortgage exposures from the Enterprises to private institutional investors – a critical risk management tool that has been effectively deployed by the Enterprises for several years. CRT is not unique to the Enterprises; it is commonly used by most sophisticated financial institutions and is typically encouraged by minimum capitalization policies.

Morgan Properties is one of Freddie Mac’s largest buyers of B Pieces in its K Series program, thus we are very familiar with Freddie Mac’s version of CRT.

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The structure of Freddie Mac's K Series materially reduces the risk to Freddie Mac from its multifamily loan exposure. In every K Series securitization, Freddie Mac sells a so-called B piece, which is an unguaranteed principal-only bond that is entitled to only receive distributions after the senior bonds are paid their share of the principal in full, only then is the B Piece bond entitled to receive its share of the principal, which is limited to a maximum of 5.0% of the original principal amount of the securitization pool less any losses incurred by the securitization pool.

In the event that there is a default on a mortgage, and it results in a foreclosure, the lender takes a loss if the property sells for a price less than the outstanding principal amount of the mortgage. As the Enterprises only provide loans with a principal amount equal to 70% to 75% of the appraised value of the property, a lender would only incur a loss if a property sells in foreclosure for a price low enough to eliminate all of the owner's equity (which is typically 25% - 30% of the capital stack). After the equity is eliminated, the lender would be exposed to potential losses.

However, in Freddie Mac's K series program, it is difficult to construct a reasonable scenario where any losses incurred by a securitization pool are not fully absorbed by the B Piece owner.

The best way to understand the structure of CRT in connection with Freddie Mac's multifamily securitization is to review a typical transaction such as Freddie Mac's Structured Pass-Through Certificates Series K-133 securitization ("**K-133**"), that recently closed in November 2021. K-133 was comprised of approximately \$1.26 billion of original principal amount of 44 loans secured by first mortgages on multifamily properties. In K-133, the B Piece owner effectively absorbs the first \$63 million of losses (5.0%) incurred by the pool, as the B Piece owner is not entitled to receive a single dollar of distributions until the senior bond owners are paid in full their share of the outstanding principal amount (a total of \$1.20 billion (or 95%)). Only after the senior bond owners are paid their \$1.20 billion of principal in full, then the B Piece owner is entitled to whatever additional principal payments are received by the trust, which in K-133, would be an amount equal to \$63 million less any losses incurred by the pool of mortgages in K-133.

The key to the risk transfer in Freddie Mac's K series is the B Pieces are very large compared to Freddie Mac's loss history, thus creating a sizeable buffer to absorb potential losses before there is any potential for a loss to be incurred by Freddie Mac or the senior bond owners. In K-133, the pool would need to sustain \$63 million in losses before the senior bonds would incur their first dollar of loss. To incur such losses, 18.5% of the pool UBP would need to default (assuming an average loss severity of 27%, which is consistent with Freddie Mac's average historical loss severity). Such a default rate is many multiples (11.6x) of the worst vintage year in the history of Freddie Mac's multifamily program. The worst year of losses for Freddie Mac multifamily loans was for those loans originated in 2006 (just prior to the Great Recession), where approximately 1.6% of the loans originated that year eventually defaulted but, in the aggregate, Freddie Mac was able to mitigate the losses from these defaulted loans and only suffered a loss of 0.44% of the original principal amount of those loans. Thus, in any reasonable model, the B Piece buyer will absorb all such losses through its 5.0% first loss position.

In the Notice of Proposed Rulemaking, the Staff suggested that a 5% floor was appropriate to reduce (i) modeling risk associated with a future financial crisis exceeding the modeled downside and (ii) legal risk associated with courts not enforcing contracts. We believe that the floor should be appropriately sized to reflect the structure of the CRT. In particular, looking at Freddie Mac multifamily CRT - we believe that the 5% floor is excessive as it fails to account for the very conservative 11.6x cushion over the worst historical loss built into the Freddie Mac K series program. We would think that the floor should be prudently sized based

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on the structure of each CRT – no doubt some CRTs transfer less risk away from the Enterprises (and should have a higher floor) and some CRTs transfer more risk away from the Enterprises (and should have a lower floor). Obviously, there is a financial cost to CRT – and the more risk that is transferred by the Enterprises to private investors, the greater the cost. We would think that setting a one-size fits all floor – discourages those attempts by the Enterprises to transfer a greater amount of risk to private investors.

Second, the Notice suggested that a floor was appropriate as there was some level of legal risk that CRT may prove ineffective in the event a CRT counterparty incurs large losses and seeks to transfer those losses back to the Enterprises. The structure of Freddie Mac's K Series program is very similar to structures used in CMBS transactions across a number of asset classes, some of which experienced dramatic losses during the Great Recession. Nevertheless we are unaware of any court holding or legal theory advanced by any credible lawyer by which the CRT counterparty could put any portion of its losses back onto the securitization sponsor. While obviously anyone can sue anyone in the United States based on any theory, we believe that the true risk here would be limited to the legal fees spent by the Enterprises getting this case promptly dismissed and would not think it appropriate to set a capital requirements to address the infinitesimally small risk that a court decides that an investor (all of whom are major institutional investors represented by excellent lawfirms) who enjoyed the benefit of the CRT structure in good times, can avoid the downside of the structure in bad times.

Risk Weighting of Multifamily Loans

We strongly believe that the Enterprises should be required to hold appropriate and prudent levels of capital for its multifamily lending that is separate and distinct from the appropriate and prudent levels of capital for its single family lending, each should takes into account the risk levels associated with the appropriate lending platform. By blending the capital requirements (despite the different risk profiles), the multifamily lending platform is subsidizing the single family lending platform which only makes sense if we, as a society, wanted to subsidize single family home ownership and at the same time increase the cost of renting multifamily homes, which seems to be a policy mistake at a time when multifamily homes are typically rented by lower middle class and middle class Americans and there is rising concern about the growing lack of affordability of rent in many markets.

Multifamily Housing is Far Less Risky Than Single Family Lending

The relatively high capital requirements for multifamily exposures does not reflect the risk profile of multifamily real estate lending in the modern era.

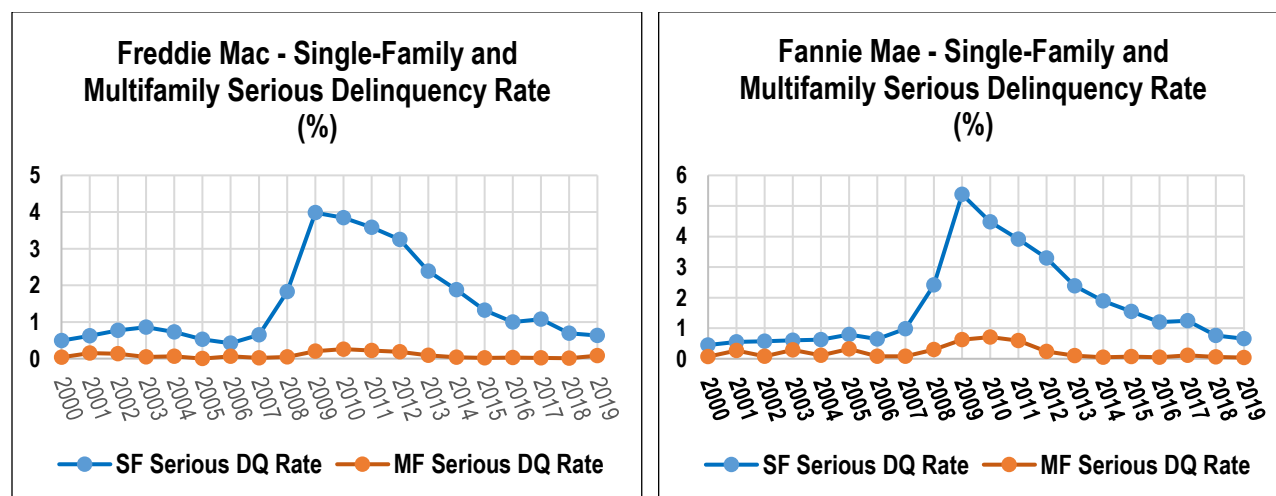
Since the 1970's, multifamily lending has consistently been one of the safest, best performing commercial real estate sectors, across the economic cycle. While internet-based businesses may decimate local retail establishments, strip shopping centers and regional malls, and offices may downsize as people increasingly work from home, people always need a place to live.

Morgan Properties has owned multifamily properties for over 35 years. During that period, the sector has been characterized by consistently high occupancy, steadily rising rents and solid collections. Over the long term, multifamily demand is highly correlated with population growth and the United States population has been steadily growing. Moreover, unlike single family home values, multifamily values have not experienced radical booms and busts in the 35 years that Morgan Properties has been in existence. As a result, our experience has been that multifamily loan defaults are exceedingly rare.

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As the following graphs demonstrate, multifamily delinquency rates have remained significantly lower than single family delinquency rates.¹



Source: Freddie Mac and Fannie Mae; CREFC

Moreover, almost all of the losses incurred by the Enterprises during the Great Recession are attributable to single family lending activities.

For example, Fannie Mae reports on their website that from 2009 to 2019, aggregate losses incurred by Fannie Mae from multifamily loans amounted to only \$970 million over that decade (which includes losses from the Great Recession)², which obviously is dwarfed by the \$167 billion of peak cumulative single family losses of Fannie Mae from 2008 through the first quarter of 2012 referenced in the Proposed Rule.

Freddie Mac has a similar loss history. In the 25-year period starting in 1994, only 0.16% of Freddie Mac's multifamily loans have defaulted, resulting in total credit losses of only \$207.5 million over the period. The worst year of loan origination during that period were the loans that originated in 2006, 1.6% of those loans defaulted and those loans resulted in credit losses of only \$50.1 million, which was 0.44% of the unpaid principal amount of the loans originated in 2006. In contrast, in the Proposed Rule, FHFA notes that Freddie Mac lost \$64 billion on its December 31, 2007 single family guarantee portfolio, which appears to have been a loss of 6.4% of the unpaid principal balance, or 14.5x the rate of multifamily losses during the Great Recession.

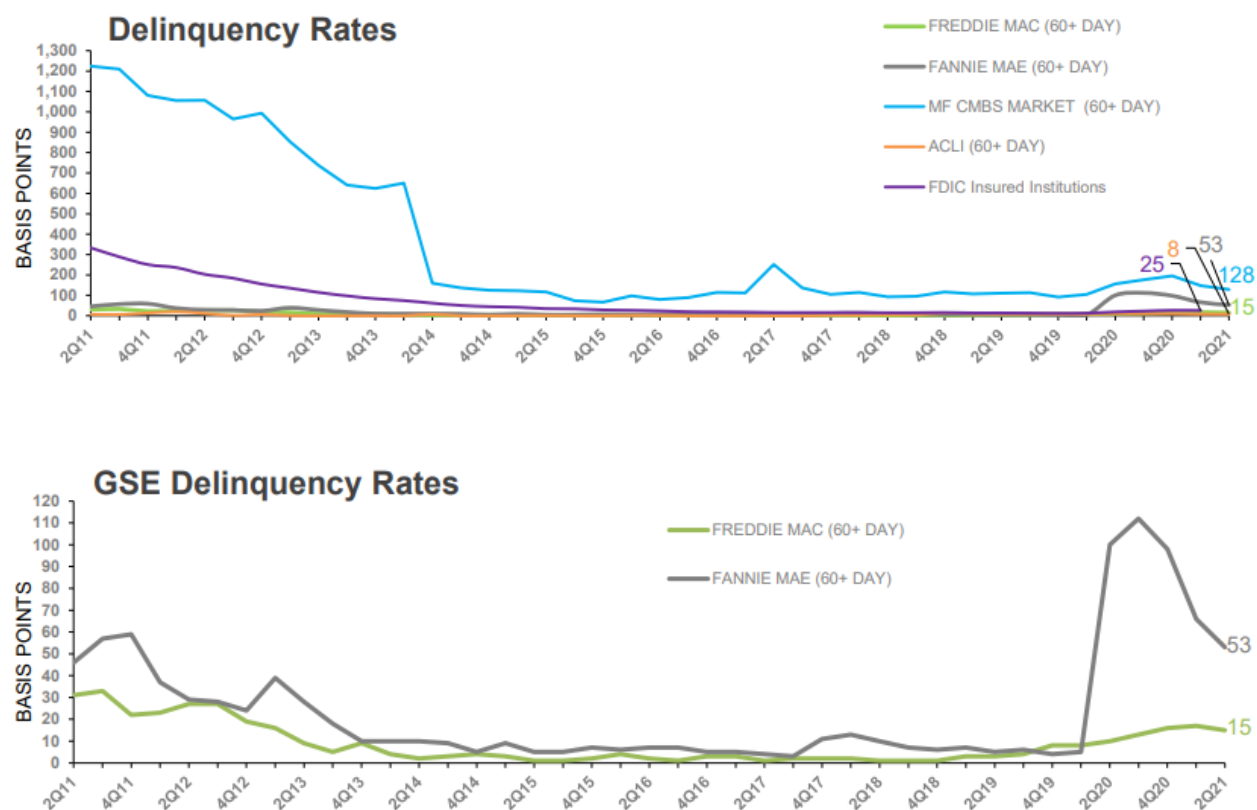
¹ **Freddie Mac serious DQ rates** for single-family are based on the number of mortgages 90 days or more delinquent or in foreclosure. For multifamily, before 2008, rates were based on the net carrying value of mortgages 60 days or more delinquent or in foreclosure and exclude other guarantee transactions. Beginning in 2008, rates were based on the unpaid principal balance of loans 60 days or more delinquent or in foreclosure and include other guarantee transactions. **Fannie Mae serious DQ rates** for single family are based on the number of loans 90 days or more past due or in the foreclosure process. For multifamily, beginning in 1998, data include all multifamily loans and securities 60 days or more past due.

² See. <http://www.https://multifamily.fanniemae.com/sites/g/files/koqyhd161/files/2020-03/multifamily-business-information.pdf>

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Freddie Mac and Fannie Mae have historically performed much better than traditional commercial mortgage-backed securities (“CMBS”) financing. Even during the Great Recession, Freddie Mac and Fannie Mae delinquency rates were under 80 bps versus the delinquency rates for multifamily CMBS which peaked at 1,200 bps.



Sources for the two charts: Freddie Mac, Fannie Mae, TREPP (CMBS multifamily 60 + delinquency rate, excluding REOs), American Council of Life Insurers (ACLI) Quarterly Investment Bulletin and FDIC Quarterly Banking Profile

It is not an accident that the Enterprises have experienced a low rate of default on its multifamily loan portfolio. As is discussed elsewhere in this letter, multifamily asset values have not been volatile over the last few decades, operations have been steady with gradual growth in net operating income, and the Enterprises are prudent in their underwriting and lending practices. Moreover, virtually every multifamily owner would like to borrow from the Enterprises, but not all qualify, as demand for loans from the Enterprises greatly exceeds the supply. We are a major borrower from the Enterprises and speak to many other large and small borrowers and the universal consensus of all institutional borrowers is that none of them are prepared to permit any of their loans from one of the Enterprises to go into default, as it would result in them being excluded from being able to borrow from both Enterprises in the future. In the past, Morgan Properties has chosen to recapitalize the occasional ‘underwater’ asset rather than permit it to go into foreclosure. We are certain our well capitalized competitors would do the same thing. Because of this, the Enterprises can comply with their mandate while effectively managing their risk.

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Multifamily Capital Requirements Should be Adjusted by Subclass

While FHFA should create an average risk weighting for multifamily loans in the aggregate, it should also instruct the Enterprises to disaggregate that average risk weighting and develop appropriate risk weightings for different subclasses of multifamily properties based on the risk of loss and volatility of the rents associated with each such subclass of properties.

For example, student housing and senior housing multifamily properties have different demand drivers and are more volatile than traditional multifamily housing. The same volatility is experienced by multifamily properties that cater to ‘tenants by choice’ such as luxury apartments located in resort locations or in center cities.

On the other hand, it has been our experience that multifamily properties that cater to ‘tenants by necessity’ such as workforce and affordable housing are the least risky subclasses of multifamily properties. During the Great Recession, revenue in workforce housing barely contracted compared to Class A multifamily, both in top 20 MSA markets as well as in the second-tier markets (defined as MSA’s 21 – 80). In 2009, Class A net revenue growth declined by -2% in the Top 20 MSAs and -3% in the Second Tier, compared to workforce housing which had declines of -0.5% in the Top 20 MSAs and -1% in the Second Tier (Source: Freddie Mac). The experience of Morgan Properties’ multifamily portfolio has been consistent with the overall market. In both the Great Recession and thus far in the current COVID-19 driven recession, none of occupancy, net rental income or net operating income of Morgan Properties’ Class B properties have declined in any material manner.

In the United States today, there is a significant housing affordability issue that explains the lack of volatility in Class B multifamily performance. While the demand for Class B/C multifamily has increased, the supply has not. In the chart below, REIS data shows that there has been very little new construction of workforce housing over the last twenty years. Since 1999, there has been an average increase in new Class A apartments of 3.4% per year, while only a 0.1% increase in Class B/C. The lack of supply growth has been compounded by the fact that Class A rents have been growing more and more unaffordable to the typical Class B/C tenant. REIS reports that in 1999, the average Class B/C rents were \$679 per month while Class A rents were \$272 more expensive (\$951 a month), in 2017, the spread between Class B/C average monthly rent (\$1,103 per month) to Class A average monthly rent (\$1,586 per month) had expanded to \$483.

		Average Rental Rate																				
	Average	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Class A		951	1,028	1,048	1,052	1,064	1,082	1,106	1,149	1,194	1,220	1,186	1,205	1,234	1,276	1,323	1,379	1,463	1,518	1,588	1,665	1,724
Class B/C		679	724	753	763	772	786	806	834	869	889	871	880	899	927	952	981	1,028	1,067	1,104	1,157	1,194
Spread Differential	358	272	304	295	289	292	296	300	315	325	331	315	325	335	349	371	398	435	451	484	508	530
Discount to Class A	-28.3%	-28.6%	-29.6%	-28.1%	-27.5%	-27.4%	-27.4%	-27.1%	-27.4%	-27.2%	-27.1%	-26.6%	-27.0%	-27.1%	-27.4%	-28.0%	-28.9%	-29.7%	-29.7%	-30.5%	-30.5%	-30.7%

Occupancy																						
	Average	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Class A Occupancy	94.1%	95.7%	96.3%	94.3%	92.7%	92.4%	92.9%	94.4%	94.1%	94.1%	92.8%	91.8%	93.7%	95.0%	95.3%	95.2%	94.7%	94.5%	94.5%	94.2%	94.0%	94.0%
Class A Completions as % of Total Inventory	3.5%	6.0%	4.9%	4.6%	3.9%	3.4%	2.8%	2.5%	2.5%	2.4%	2.9%	3.3%	2.2%	0.9%	1.8%	3.2%	4.1%	4.4%	4.3%	4.5%	4.6%	3.2%
Class B/C Occupancy	95.1%	96.4%	97.0%	95.8%	94.3%	93.5%	93.5%	94.2%	94.1%	94.3%	93.5%	91.9%	93.1%	94.4%	95.3%	95.9%	96.4%	96.7%	96.9%	96.5%	96.4%	96.5%
Class B Completions as % of Total Inventory	0.1%	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.1%

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Simply put, existing Class B/C tenants do not have a lot of other affordable housing alternatives. Thus, even in recessions, it has been Morgan Properties experience that occupancy stays high and Class B/C tenants remain highly focused on paying their rent in a timely manner.

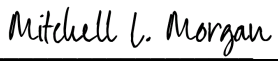
Moreover, when we underwrite the purchase of Freddie Mac B Pieces, we view securitizations with heavier presence of low-income housing tax credit (LIHTC) properties as lower risk investments – as the income of the property is heavily subsidized by the applicable government agency. Historical performance has indicated that LIHTC properties default at a lower rate than other subclasses of multifamily properties. The risk weightings should reflect that.

As a result of the stability of the asset class, owners of workforce housing are able to pay their mortgages. In our 35-year operational history, Morgan Properties has never missed or been late on a mortgage payment and has never defaulted on any loan.

Therefore, the Enterprises should be instructed to develop appropriate risk weighting and capital requirements for each of the different classes of multifamily properties. We would expect that this would result in lower capital requirements for loans to workforce and affordable housing and higher capital requirements for loans to Class A, student housing and senior housing. This would create appropriate incentives for the Enterprises to prudently manage their portfolio of multifamily loans. In particular, riskier loans should require more capital and less risky loans should require less capital. A proper alignment of risk and capital requirements should encourage the Enterprises to grow those lines of businesses which have the lowest risk and to appropriately price riskier loans.

We appreciate this opportunity to comment on the proposed Enterprise Regulatory Capital Framework and look forward to working constructively with the FHFA on this important matter.

Sincerely,



Mitchell L. Morgan



Jason Morgan



Jonathan Morgan