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July 10, 2017

The Honorable Melvin L. Watt
Director
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20024

Transmitted via: www.FHFA.gov/DTS,

RE: Fannie Mae and Freddie Mac's Duty to Serve Plans

Dear Director Watt:

On behalf of the over 1.2 million members of the National Association of REALTORS® (NAR), I provide these comments to the Federal Housing Finance Agency (FHFA) on Fannie Mae and Freddie Mac's (the government-sponsored enterprises or Enterprises) proposed "Duty to Serve Underserved Markets" Plans (Plans). NAR is America's largest trade association, including our eight affiliated Institutes, Societies and Councils, five of which focus on commercial transactions. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

Ensuring the continued availability of affordable mortgage credit to all qualified borrowers is an obligation of both Fannie Mae and Freddie Mac. Without the affirmative obligation of either of the Enterprises to facilitate the financing of affordable housing for low- and moderate-income families consistent with sustainable homeownership, access to credit in some of these markets would remain limited. As the Enterprises implement their proposed Plans, their efforts do not need to compromise safe and sound lending standards. Support of fair and affordable mortgages to a full range of qualified households in the market is achievable. As mentioned in NAR's previous comments, sound public policy that supports homeownership leads to stronger communities and social stability, all while driving the national economy. Though the country experienced great pains during the recession, as a nation we collectively learned that we are all responsible for ensuring sustainability.

Fannie Mae and Freddie Mac's Proposed Plans to meet their Manufactured Housing Duty to Serve Objectives

NAR has long supported enhancements to federal housing programs that encourage financing of manufactured housing. In many areas of the country, particularly rural communities, manufactured homes are the only type of quality affordable housing available. Facilitating further liquidity for manufactured housing would benefit the millions of Americans who call manufactured housing "home." NAR has worked with a number of different stakeholders to create and provide information to REALTORS® on how manufactured housing is financed and sold, both initially and upon resale. As each Enterprise develops their research and outreach, REALTORS® will play an important role in delivering education and guidance since financing, particularly on resales, remain difficult for these homes. Manufactured homes are often a more accessible and affordable avenue for homeownership; therefore, REALTORS® believe it is important for the Enterprises to meet the goals to develop financing products for these borrowers.

The Plans outline objectives to be met by the Enterprises in four areas of regulatory activity: (1) manufactured homes titled as real property; (2) manufactured homes titled as personal property (chattel); (3) manufactured housing communities owned by government instrumentalities, nonprofits, or their residents; and (4) manufactured housing communities with specified minimum tenant pad lease protections.

For individual owners, the first two regulatory activities will do the most to expand access to credit. Different ownership, titling, and financing structures are available for manufactured housing, and this has a major impact on loan origination, servicing, and securitization requirements and practices. The manufactured housing financing market will benefit from the Enterprises' objectives to conduct research and outreach to these markets and making the research available. Understanding the scope of the market and the factors that limit financing will allow stakeholders to cooperate in finding solutions. Additionally, the Enterprises can lead in the standardization of lending in the manufactured housing industry through underwriting guidelines and facilitating the development of a secondary market for mortgages on manufactured housing. NAR supports the Enterprises' development of pilot programs to study the standardization of lending terms and requirements for chattel loans on borrower owned land. FHFA's approval of the pilot initiatives would provide the Enterprises with the opportunity to gather more data on chattel financing while also assisting the market to become familiar with the requirements of origination, servicing, and consumer protection that would be required for any permanent chattel financing initiative.

Throughout each of its objectives, Fannie Mae suggests quantitative targets along with relative baselines. It is prudent to evaluate past performance in purchasing manufactured housing loans relative to the volume of manufactured housing loans the Enterprise actually purchases in a given year, pursuant to its stated objective. Having the data will allow policymakers and stakeholders to understand the important gains made through the Duty to Serve proposal; however, should the market represent a larger scope than Fannie Mae projects, Fannie Mae should make every effort to appropriately evaluate its own footprint and engagement in the manufactured housing lending space.

Strategic Priorities for Affordable Housing Preservation

REALTORS® have long supported the safety and soundness of the Enterprises and their commitment to providing homeownership opportunities. To that end, NAR believes that the Plans should address loss mitigation policies that ensure that institutional investors are not provided an advantage over new owner occupant families in GSE disposition strategies. Home retention initiatives mitigate both losses of the GSEs and taxpayers, and provide stability to local housing markets.

Conversely, NAR is concerned about alternative asset disposition programs that actually seem to contribute to reducing affordable home purchase opportunities for owner occupants. Therefore, REALTORS® strongly believe that every effort should avoid bulk sales, in the form of Real Estate Owned (REO) assets or note sales, which reduce the available supply of housing inventory for individual buyers. Rather, disposition efforts that preserve affordable housing options should be clearly prioritized in Plans and by FHFA.

NAR is concerned that the bulk sale of mortgage notes by the Enterprises to large investors, often times in auction, could potentially unsettle the recovery of neighborhoods. This is particularly concerning for those neighborhoods most affected by the recent housing crisis. It is important that policymakers and stakeholders understand how these transactions, without associated expectations or restrictions, blunt the opportunity for homebuyers to aid recovery in the broader housing market and certainly seems to go against the idea of affordable housing preservation.

Though there is limited information available about this program, REALTORS® are concerned that these properties are ending up as rentals and limiting the supply of affordable housing inventory available for purchase thus shutting out potential homeowners. In particular, Fannie Mae's Plan also notes the problematic issue of distressed properties acquired by investors through bulk sales of non-performing loans. These investors are then able to control properties for rental after foreclosure. NAR's concern is that this reduction in affordable inventory will prevent first time homebuyers from entering the housing market, limiting growth and hurting the overall health of these local economies. The Enterprises have an opportunity to lead an effort to provide first-time homebuyers with greater purchase opportunities through sensible disposition strategies, a move which certainly supports the preservation of affordable homeownership opportunities.

NAR also supports a strong secondary mortgage market for affordable rental housing financing. Rental housing for low and moderate income families remains in high demand across the country and development continues to lag behind. Federal programs to incentivize such building are critical to creating and maintaining an adequate housing stock.

Both Plans highlights many opportunities to increase financing options need to maintain affordable housing. Specifically, expanding the volume of loan purchases secured by Low Income Housing Tax Credits (LIHTC) properties. In many communities, tax credits are helping with the development of affordable housing. In others, often less urban areas, the LIHTC is less valuable and financing new housing becomes difficult. By re-entering and targeting these underserved markets, the Enterprises should help preserve and develop more housing for needy families.

Small multifamily properties make up much of the rental housing market. According to the National Multifamily Housing Council, more than 12 million units (of the total 18 million nationwide), are in buildings with less than 24 units. NAR believes support for this market through both Enterprises' Duty to Serve objectives for small multifamily rental properties will help expand lending in this market, and will provide more housing opportunities for low and moderate income families.

Duty to Serve Entails Providing Broad Access to Financing

NAR has long supported the idea that the fees charged by the Enterprises need to adequately protect the Enterprises and taxpayers from credit losses. However, NAR believes that the fees charged by the Enterprises are pushing substantially more underserved and first-time borrowers, those who would most benefit from the Enterprises leadership in the space, to FHA and other lending programs.

Preserving access to affordable housing must be accomplished within the confines of safety and soundness and the goals of conservatorship. However, it is possible for the Enterprises to have robust underwriting guidelines without having a similarly robust, singular focus on desired economic returns or substantial profitability. As NAR has continually reiterated, and the Enterprises' financial reports have demonstrated, both Fannie Mae and Freddie Mac have experienced sizable returns and enormous profits, at the direction of FHFA, based on charging borrowers substantially higher fees than the actual risk those borrowers present.

NAR is interested in efforts and research into how shared equity financing products may assist in access to financing, but loan products that end up with borrowers foregoing future equity should not be prioritized over resolving loan fee structures that prevent conventional financing reaching homebuyers.

Meeting the Housing Finance Needs of Rural housing Markets

NAR believes it is vital to ensure that rural citizens continue to have access to financing appropriate to their needs. Though we continue to pursue broader opportunities, prospective homebuyers nationwide have found significant barriers to obtaining mortgage financing in rural areas. REALTORS® are important stakeholders in their communities and have significant insight into the issues their clients face. REALTOR® representation on each of the Enterprises Rural Housing Advisory Board will ensure that market and transaction dynamics are shared in a way that will assist Fannie Mae in achieving their goals.

Rural citizens face unique challenges finding access to credit. NAR recognizes the uniqueness of rural communities and the key role that housing plays in building strong communities. REALTORS® who live in and serve these communities also understand the need for specialized programs to meet the needs of Americans living in rural areas. To this end, NAR is supportive of Enterprises' Underserved Markets Plans that increase their rural loan purchases and strategies for extending outreach to small and rural lenders and other entities, (including nonprofit and for-profit organizations) to better serve the rural marketplace.

Though both Plans outline objectives to meet affordable housing rental needs in rural areas, and ways in which to support programs administered by the United States Department of Agriculture (USDA), NAR is concerned that Freddie Mac's plan to focus on 'middle-tier' investors in single family rental housing in these rural area may prove problematic. The concern is that the larger of the 'middle-tier' single-family investors with access to capital will in turn reduce the preservation of affordable homeownership opportunities for consumers in those respective communities. Rather than an objective that examines opportunities to provide financing to companies with thousands of single-family units in single portfolios, efforts should remain focused on making sure rural homebuyers aren't left only with the option of USDA or FHA loan products. A more targeted approach for Freddie Mac would be increasing its cap on mortgages backed by Freddie Mac to individuals investing in their own communities. Large investors with single family portfolios may play a role in solving affordable housing in rural areas, however, individual consumers have remained underserved in these communities for a much longer period and deserve the time, effort, and resources of both the Enterprises.

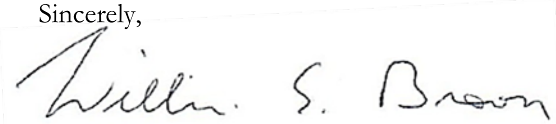
NAR has long supported efforts to properly identify communities that are rural in character. NAR supports Freddie Mac's Plan to create a mapping system that should broaden the definition of "rural" to include areas that are outside of rural counties and census blocks, while ensuring that all truly rural communities are adequately served. As this mapping tool is developed, NAR recommends that Freddie Mac provide periodic updates and beta versions to allow consumers and market participants an opportunity to review a community's status. This type of transparency will both be educational and allow for broader consumer engagement.

Conclusion

NAR appreciates the opportunity to comment on each of the Enterprises' Duty to Serve Plans. The benefit gained from the standardization, stability, and confidence provided by the Enterprises ensures that creditworthy consumers have reasonable access to mortgage capital. Millions of Americans will benefit from the leadership provided by the Enterprises in developing and facilitating a secondary market for mortgages in these underserved markets, which is an important step in improving the cost of mortgage credit and facilitating the return of private sources of capital to the housing finance system.

Thank you for your time and consideration of this timely issue. NAR looks forward to working with you. If I may be of any assistance to you, please do not hesitate to contact me or Charlie Dawson, NAR's Managing Director for Regulatory Policy and Industry Relations, at 202.383.7522 or CDawson@REALTORS.org.

Sincerely,



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