National Council *of* State Housing Agencies

October 28, 2024

Mr. Clinton Jones
General Counsel
Federal Housing Finance Agency
400 Seventh Street SW
Washington D.C. 20219

RE: Comments/RIN 2590-AB34

Dear Mr. Jones:

The National Council of State Housing Agencies (NCSHA),[1] on behalf of the nation's state housing finance agencies (HFAs), is pleased to submit comments on the Federal Housing Finance Agency's (FHFA) proposed affordable housing goals for the government-sponsored enterprises (Enterprises) Fannie Mae and Freddie Mac for 2025 through 2027.

We commend FHFA for proposing to maintain the Enterprises' affordable housing goals, both single- family and multifamily, at historically elevated levels despite current market headwinds. This will ensure that Fannie Mae and Freddie Mac continue to marshal their considerable resources and market presence to address our nation's affordable housing crisis at a time when higher financing costs and lower supply make their presence more important than ever. The proposed goals align with other efforts FHFA has taken in recent years to increase the Enterprises' support for affordable housing.

NCSHA asks that the final rule continue to maintain strong single-family goals and include the proposed added enforcement factors that would give the Enterprises the flexibility to pursue affordable homeownership lending responsibly and sustainably. We also urge FHFA to consider raising the multifamily low-income goals to better reflect recent Enterprise lending activity in that space.

[1] NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

Strong and Pragmatic Single-Family Goals

The proposed rule would require that at least 25 percent of the single-family loans the Enterprises purchase each year be made to low-income consumers (those making 80 percent of area median income, AMI, or below). In addition, at least 6 percent of Enterprise loan purchases would have to be made to very low-income consumers (those earning 50 percent of AMI or below). While these proposed levels represent a reduction from 28 percent and 7 percent, respectively, from 2022-2024, they are still high compared to the goals set before the current period.

While NCSHA has traditionally opposed reductions in the affordable housing goals, we recognize that higher interest rates and a historically low supply of affordable for-sale homes have combined to severely limit home purchase options for low-income households. We have heard directly from HFAs, who partner with both Fannie Mae and Freddie Mac to finance loans for home buyers targeted by the goals, about the dearth of affordable home purchase options for such families in their states. Given these challenges, we appreciate FHFA's efforts to balance market dynamics and the desire to set the single-family goals at relatively high levels.

Relatedly, we also support FHFA's proposal to establish new criteria, termed "Enforcement Factors," to determine whether Fannie Mae or Freddie Mac would have to submit a housing plan to FHFA should they fail to meet any of the single-family goals. Specifically, if one of the Enterprises falls short of the low-income single-family housing goal by 1.3 percent or less or falls short of the very low-income single-family housing goals by .5 percent or less, then they will not have to write a report.

As FHFA notes in the proposed rule, these flexibilities will allow the Enterprises to better adapt their business activities to market changes without having to focus on meeting one static metric. This will also help to ensure that the Enterprises support affordable housing loans for low-income families that are responsible and sustainable. As FHFA, the Enterprises, and HFAs all understand well, the goal is not just to make working families homeowners, but to ensure they sustain homeownership.

We ask that the Enforcement Factors be included in the final rule. Further, to ensure that the Enterprises don't rely solely on the Enforcement Factors to guide their affordable lending, we ask that the final rule maintain the provision that makes the Enforcement Factors non-applicable if an Enterprise fails to meet one of the applicable goals in both 2025 and 2026.

Boost Multifamily Goals

As mentioned above, NCSHA thanks FHFA for proposing to keep the multifamily housing goals at elevated levels. The need for more affordable rental housing is well-documented and unfortunately growing. Now is not the time to allow the Enterprises to pull back from their strong record of supporting affordable rental housing options.

We especially support FHFA's proposal to increase the multifamily goals for units that serve very low-income families from 12 to 14 percent. Very low-income renters have been hit especially hard by the affordable housing crisis and face a severe shortage of affordable options. Further, developers looking to build housing affordable to such households often struggle to access affordable capital, a need the Enterprises are particularly well-suited to address. As FHFA notes, the Enterprises have easily exceeded the 12 percent goal in recent years.

Similarly, we appreciate that FHFA is proposing to keep the low-income multifamily goal at 61 percent despite the impact higher mortgage rates have had on the multifamily financing market. We would respectfully submit that, despite the adverse market conditions, these goals could be increased without harming the Enterprises' financial health. As outlined in the proposed rule, both Enterprises' multifamily lending activity easily exceeded the 61 percent goal each year from 2020 to 2023. In 2023, when interest rates were similar to what they in the current market, 76 and 67 percent of all multifamily housing units financed by Fannie Mae and Freddie Mac, respectively, served low-income households. Given this track record, and the affordable housing crisis the nation faces, we suggest the multifamily low-income goal be increased to 65 percent.

Similarly, we are also concerned about FHFA's proposal to slightly reduce the multifamily subgoal for small multifamily properties (those with between 5-50 units). Enterprise support is crucial for such properties, which serve as a critical source of affordable housing in rural areas and other underserved communities and struggle to access capital as readily as larger developments. As with the other goals, the Enterprises have exceeded the current 2.5 percent goal for the last four years, including last year. We urge FHFA to restore this subgoal to 2.5 percent in the final rule.

Thank you for your consideration. We would be happy to discuss this with you at your convenience.

Sincerely,

Garth Rieman
Director, Housing Advocacy and Strategic Initiatives