



September 15, 2014

Federal Housing Finance Agency
400 7th Street, S.W
Washington, DC 20024

To Whom it May Concern:

On behalf of the state Housing Finance Agencies (HFAs) it represents, the National Council of State Housing Agencies (NCSHA) appreciates the opportunity to respond to the Federal Housing Finance Agency's (FHFA) request for input on its proposed *FHFA Strategic Plan: 2015-2019* (the Strategic Plan).

NCSHA strongly commends FHFA for laying out a strong blueprint for overseeing Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (FHLB). The proposed Strategic Plan strikes a proper balance between safeguarding these entities' fiscal health and ensuring that they continue to support a liquid and accessible housing finance market. It also builds effectively on recent steps FHFA has taken to strengthen its focus on one of the key elements of FHFA's core mission—ensuring that its regulated entities “serve as a reliable source of liquidity and funding for housing finance and community investment.”

While NCSHA supports the overall approach FHFA proposes to take in the draft Strategic Plan, we believe there are a few places it can be strengthened to emphasize the importance of broadening access to credit and partnering with state HFAs.

Focus on Promoting Liquidity and Accessibility

NCSHA is particularly pleased that, as FHFA did in its *2014 Strategic Plan for the Conservatorship of Fannie Mae and Freddie Mac* (2014 Strategic Plan), the proposed Strategic Plan for 2015-2019 would make it one of FHFA's major strategic goals to “ensure liquidity, stability, and access in housing finance.” This goal is presented as being on equal footing to FHFA's other strategic goals (“ensure safe and sound regulated entities” and “manage the enterprises' ongoing conservatorships”), demonstrating that FHFA is committed to giving it equal consideration when determining its policies.

We further applaud FHFA for also focusing specific attention on expanding access to housing finance for all qualified borrowers and financial institutions in Performance Goal 2.3.

Increasing creditworthy borrowers' access to affordable home lending will not just ensure the entities fulfill their affordable homeownership missions, but also further their safety and soundness.

Utilize State HFAs As Partners To Expand Access To Housing Finance

NCSHA appreciates FHFA's recognition that state HFAs play an important role in supporting "a housing finance market that provides liquidity throughout the country." We further thank FHFA for pledging in the proposed Strategic Plan to work with Fannie Mae and Freddie Mac to address those barriers that prevent them from working with state HFAs.

Increasing Fannie Mae's and Freddie Mac's partnerships with state HFAs is a cost-effective and responsible way for FHFA to meet its strategic goal of promoting accessibility in the housing finance market. HFAs are well-known for their safe and sound lending programs, which have provided a reliable source of affordable mortgage money for working families over many decades in strong and weak economies. As FHFA said in its 2014 Strategic Plan, HFAs have "historically provided access to credit and lower down payment lending for lower- and moderate-income families" and have "proven, strong performance records."

As FHFA knows, Fannie Mae has already partnered with state HFAs and offers them preferred terms through its HFA Preferred program. This program provides Fannie Mae an opportunity to responsibly support affordable homeownership while allowing HFAs to reach underserved borrowers they cannot normally serve through traditional tax-exempt bonds, such as non-first-time homebuyers and those homeowners who wish to refinance. To date, the program has been a resounding success. In 2013 alone, 31 HFAs utilized HFA Preferred products to finance over 18,000 home mortgages to low- and moderate-income homebuyers. HFAs predict they will fund over 23,500 loans through this program in 2014. A review Fannie Mae conducted in 2011 found that its HFA-financed loans outperformed its other affordable housing program loans.

In conclusion, given their strong track-record, public-purpose, and commitment to responsible underwriting, state HFAs are a natural partner for FHFA, Fannie Mae, and Freddie Mac's efforts to reach more borrowers.

Promote FHLB Partnerships with State HFAs

The proposed Strategic Plan also instructs FHLB members to take steps to ensure that the FHLBs promote policies that allow for all members to participate equally. NCSHA agrees that, for the FHLBs to achieve their goal of supporting a liquid housing finance market, all FHLB members must have the same opportunities to benefit from FHLB advances.

We believe the Strategic Plan should also promote partnerships and increased business between state HFAs and the FHLBs. Such partnerships can improve the FHLBs' ability to promote more access to credit for underserved borrowers and areas.

Currently, state HFAs are allowed to borrow from the FHLBs as non-member housing associates. This unique arrangement recognizes that, as government entities, many state HFAs are prohibited from joining financial institutions such as the FHLBs as members.

While several HFAs currently enjoy productive relationships with their FHLBs, many others do not. Some HFAs have told us that the funding their FHLBs offer them simply is not competitive, or that their FHLBs do not show interest in the types of deals that would work well for the HFAs. This has prevented some state HFAs from accessing a valuable source of funding for their affordable housing programs, and also denied some FHLBs the opportunity to partner with proven entities that can be a strong ally in their efforts to support a healthy housing finance market.

Focus on Affordable Multifamily Housing

NCSHA commends FHFA for using the proposed Strategic Plan to direct Fannie Mae and Freddie Mac to maintain their commitment to facilitating a liquid and efficient multifamily housing finance market and to focus their efforts on supporting the affordable rental market. NCSHA also strongly concurs with FHFA's proposal not to count certain affordable multifamily lending activities against Fannie Mae and Freddie Mac's annual production caps.

Fannie Mae and Freddie Mac play a critical role in the rental housing finance market. As a September 2012 report from the Government Accountability Office (GAO) demonstrates, from 1994-2011 Fannie Mae and Freddie Mac's multifamily lending activities steadily increased, and spiked during the recent housing downturn when private sources of capital vanished. In addition, Fannie Mae and Freddie Mac support a broad array of multifamily debt and also offer a wide range of multifamily lending mortgage products. This gives them a large degree of influence over the multifamily lending market.

At the same time, the affordable housing need in this country is great and growing. Today, there are only 57 affordable rental homes available for every 100 very low-income renter households, those earning 50 percent of AMI or less. For the 10.1 million households with extremely low incomes, those earning 30 percent of AMI or less, there are only 30 affordable homes available for every 100 households.

Continue to Seek Stakeholder Feedback on Key Issues

Finally, NCSHA supports FHFA's commitment, outlined in the language accompanying Performance Goal 2.2, to seek input from stakeholders and others when developing policies on major issues. Soliciting feedback from industry participants, who will be able to provide a ground-level perspective on how proposals will impact the housing market, will help to improve FHFA's policy-making process. NCSHA looks forward to participating in further discussions about the major issues impacting FHFA and its regulated entities.

Thank you for your consideration of our comments. Please do not hesitate to contact me if we can provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman", with a long horizontal flourish extending to the right.

Garth Rieman

Director of Housing Advocacy and Strategic Initiatives