NCSHA

October 26, 2017

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

Re: FHFA Strategic Plan: Fiscal Years 2018-2022

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: 2018-2022* (the Strategic Plan).

NCSHA supports FHFA's efforts to ensure that the Strategic Plan complies with FHFA's mandate to safeguard Fannie Mae's, Freddie Mac's, and the Federal Home Loan Banks' (collectively, the regulated entities) fiscal health while also ensuring that the regulated entities continue to support a liquid and accessible housing finance market. We also appreciate the Strategic Plan's focus on emphasizing that the regulated entities must "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 ways FHFA can strengthen it to emphasize the importance of broadening access to credit and partnering with state HFAs.

Ensure a Liquid, Stable, and Accessible Housing Finance Market

NCSHA is particularly pleased that the proposed Strategic Plan would continue to 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 maintaining its specific focus on expanding access to housing finance for all qualified borrowers and financial institutions, including state HFAs, 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.

Encourage Further HFA Partnerships in Multifamily Market

NCSHA appreciates FHFA's continued recognition that state HFAs play an important role in supporting "a housing finance market that provides liquidity throughout the country." We 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.

Recent history has demonstrated that partnering with HFAs is an effective and cost-efficient way for Fannie Mae and Freddie Mac to fulfill their public purpose of supporting a liquid housing finance market and creating affordable housing opportunities. 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, NCSHA, HFAs, and Fannie Mae several years ago established the first of several single-family lending partnerships, within which Fannie Mae has offered HFAs special mortgage loan pricing and terms in recognition of the strength and success of HFA lending. In 2011, Fannie Mae launched its HFA Preferred Products, which have been an enormous success, with 40 HFAs currently offering the products. In 2016, HFAs utilized the HFA Preferred products to help almost 40,000 working families purchase a home. Freddie Mac followed suit, with NCSHA's encouragement, establishing in 2015 its HFA Advantage mortgage initiative, which provide terms similar to those offered by Fannie Mae.

Many HFAs also collaborate with Fannie Mae and Freddie Mac to finance the development and preservation of affordable multifamily housing. For example, since 1985, the New York City Housing Development Corporation has partnered with Fannie Mae and Freddie Mac to finance over 80 developments in low-income neighborhoods. This has resulted in the development and rehabilitation of nearly 24,500 affordable rental units. In addition, the Washington State Housing Finance Commission has estimated that nearly half of the over $2.6 billion in bonds for multifamily housing they have issued were enhanced, permanently financed, and/or purchased by Fannie Mae and Freddie Mac.

These partnerships are critical at a time when our nation is facing a severe affordable housing crisis. According to the latest State of the Nation's Housing report from Harvard University's Joint Center for Housing Studies (JCHS), 21 million renter households were cost-burdened in 2015, meaning they had to pay 30 percent or more of their income on housing. More than 11 million borrowers were severely cost-burdened, meaning they had to pay 50 percent or more of their income on housing. The report shows that the incidence of cost burden is especially prevalent among lower-income renter households. At the same time, the construction of new rental units continues to fall short of demand, pushing up rents across the board.

Given the strong need for affordable housing, and the success of Fannie Mae's and Freddie Mac's preferred HFA single-family products, we feel it would be useful for Fannie Mae and/or Freddie Mac to offer better multifamily lending products and terms to HFAs. While NCSHA and HFAs have pursued partnerships with Fannie Mae and Freddie Mac, these efforts have not led to significant new initiatives recently. To help incentivize further discussions, we ask that FHFA amend its Strategic Plan to specifically commit to working together with Fannie Mae and Freddie Mac to increase their support for HFA multifamily lending.

Promote FHLB Partnerships with State HFAs

We believe the Strategic Plan should promote partnerships and increased business between state HFAs and the Federal Home Loan Banks (FHLB). 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

Stakeholder Input on Key Issues

NCSHA is pleased that the proposed Strategic Plan would maintain 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,

Garth Rieman
Director of Housing Advocacy and Strategic Initiatives