



May 22, 2009

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Finance Agency
1700 G Street, NW
Fourth Floor
Washington, DC 20552

RE: RIN 2590-AA25 – 2009 Enterprise Transition Affordable Housing Goals

Dear Mr. Pollard;

The Mortgage Bankers Association (MBA)¹ appreciates the opportunity to provide comments to the Federal Housing Finance Agency (FHFA) regarding the proposed 2009 transition affordable housing goals for the government sponsored enterprises (GSEs) Fannie Mae and Freddie Mac (Proposal).² The Housing and Economic Recovery Act of 2008 (HERA)³ provides for the 2008 goals to remain in effect for 2009 except that the FHFA is authorized to review the feasibility of the goals and make adjustments if warranted by current market conditions. The Proposal is the result of the HERA-authorized review by the FHFA of the 2008 affordable housing goals for the GSEs. MBA stipulates that our comments address only the Proposal and the 2009 GSE affordable housing goals. We respectfully request an opportunity to offer MBA's perspective on the broader concept of the GSEs' mission-oriented obligations in a post-conservatorship environment.

MBA supports the Proposal and is pleased that it contains changes that MBA has long advocated. For example, MBA endorses the market-based goals level reductions in the Proposal. MBA also supports the Proposal's treatment of loan modifications made pursuant to the administration's Homeowner Affordability and Stability Plan (HASP).

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,400 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

² 74 Fed. Reg. 83, 20236-20263, May 1, 2009.

³ Pub. L. 110-289, 122 Stat. 2654 (July 30, 2008).

MBA also offers a recommendation to improve the Proposal in order to enhance the accuracy of the GSEs' goals-related performance. Specifically, MBA requests the FHFA to revise the Proposal to reflect the number of goals-qualifying loans the GSEs require lenders to repurchase. Additionally, MBA requests the FHFA to establish a regulatory deadline for establishing the housing goals levels for 2010 and beyond.

Adjustments to Goals Levels

MBA is pleased that the Proposal reduces the goals to roughly the level in effect in 2003 and 2004. In fact, in MBA's July 2004 comments on the proposed goals for 2005 – 2008, we expressed strong opposition to the increases, noting that the Department of Housing and Urban Development (HUD) had overestimated the size of the market affordable to low and moderate income families (LMI). At the time, MBA expressed concern about disruptions to the housing markets that would result from HUD's estimates. MBA's analysis indicated a 51 percent LMI goal would have been more appropriate for 2005, and we are pleased that FHFA is proposing that 51 percent goal for 2009.

HASP Loan Modifications

Under the Proposal, the GSEs would receive goals credit for loans they own or guarantee that are modified in accordance with HASP. This provision modifies the 2008 housing goals regulations which confer goals-eligibility status only to loan modifications made by third parties that the GSEs subsequently purchase.

MBA endorses the goals-eligible treatment of HASP loan modifications made to loans owned or guaranteed by the GSEs. We believe this provides further incentive for the GSEs to support efforts by financial institutions to modify the loans of at-risk borrowers and lower the incidence of defaults and foreclosures.

Repurchases

During the past year, the GSEs have intensified their level of scrutiny of nonperforming loan documents. As a result, lenders have experienced a significant increase in the amount of loans they are required to repurchase for representation and warranty infringements. Under the current housing goals regulations, the GSEs receive credit for any loan purchase that meets the regulatory criteria, no matter what happens to that loan in the future. MBA believes this misconstrues the GSEs' affordable housing goals performance, particularly because goals-eligible loans generally have a higher risk of default than other housing loans.

MBA believes the FHFA should not permit the GSEs to claim credit for affordable lending while they transfer the resulting credit losses to others. MBA believes that when a GSE requires a lender to repurchase a loan for which the GSE received credit under an affordable housing goal, the credit should be reversed by subtracting it from the number of loans counting toward the goal.

MBA recognizes that the default may occur in a later year than the GSE's original purchase of a loan. Because it would be impractical to reverse the credit retroactively to prior year calculations, MBA believes a more effective and streamlined solution would be to remove the credit in the year of repurchase.

Conclusion

While the housing finance crisis is far from over, MBA believes the economic climate would be considerably worse were it not for the bold and decisive actions taken by the FHFA thus far. MBA also recognizes the historic nature of the Proposal, in that it is the first iteration of housing goals regulations ever issued by the FHFA. We request that you consider the modifications suggested above, and look forward to addressing any questions you may have.

Regards,

A handwritten signature in black ink that reads "John A. Courson". The signature is written in a cursive, slightly slanted style.

John A. Courson
President and Chief Executive Officer