CENTER FOR RESPONSIBLE LENDING

May 22, 2009

via email: RegComments@fhfa.gov

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

**Re: RIN 2590-AA25 – Comments on Proposed GSE Housing Goals**

Dear Mr. Pollard:

I write on behalf of the Center for Responsible Lending ("CRL") to provide comments on FHFA's proposed rule establishing 2009 housing goals for Fannie Mae and Freddie Mac (collectively the "GSEs"), which would lower the goal levels and give the GSEs goals credit for loan modifications consistent with the Administration's Home Affordable Loan Modification.

CRL supports both aspects of the proposal. CRL believes that the 2009 goals should vigorously incent and reward the GSEs for loan modifications to Administration standards that avoid foreclosure. CRL further recommends giving goals credit for refinances under the Administration's Home Affordable Refinance Plan for borrowers who are goals eligible based on income or location. Finally, the goals must be responsibly attainable under current market conditions. For this reason, given the extreme impairment of the credit and housing markets, and the economic hardships for low- and moderate-income families in particular, CRL also supports reduction of the goals levels. We are concerned that the goals may not be low enough, however, and urge that they be applied flexibly this year, to ensure they can be responsibly met.

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CRL is a nonprofit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. It is an affiliate of Self-Help, a nonprofit community development financial institution that consists of a credit union and a non-profit loan fund. For close to thirty years, Self-Help has focused on creating ownership opportunities for low-wealth families, primarily through financing home loans to low-income and minority families who otherwise might not have been able to get affordable home loans. Self-Help's secondary market program helps provide liquidity to lenders making responsible loans to low wealth borrowers. Through this program, to induce banks to make more responsible loans to low-income and minority families, Self-Help retains the credit risk on these loans that it purchases from lenders across the country and resells them to Fannie Mae. In total, Self-Help has provided over $5.6 billion of financing to 62,000 low-wealth families, small businesses and nonprofit organizations in North Carolina and across the country.

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All indications are that disruptions in the housing market will continue beyond the end of 2009.[1] New foreclosure starts for the year are forecasted to reach 2.4 million.[2] Foreclosures in 2009 alone will cause 69.5 million neighboring homes to lose over $500 billion in value.[3] And this is just the beginning; by the end of 2012, the number of foreclosures is projected to rise to 9 million.[4] FHFA has correctly recognized that averting foreclosures through loan modification or refinancing is a matter of priority.[5] Significant reductions in the number of forecasted foreclosures would advance the GSEs' mission, stabilize the housing markets, and stimulate the economy.

CRL thus strongly supports measures to incent the GSEs, through goals credit and otherwise, to modify mortgage loans in accordance with the Administration Plan. CRL also suggests that, for this year, "trial modifications" under the Plan should qualify for goals credit, since the program has just recently been implemented. Similarly, CRL believes that the GSEs should receive goals credit for refinancing goals-eligible mortgage loans. Homeowners in goals-eligible loans are predominantly those who were targeted for subprime loans. Refinancing these homeowners' mortgages has an even greater stimulative effect than refinancing wealthier homeowners' mortgages because the former are more likely to actually spend the freed up income to meet basic needs.

CRL also recognizes that the imperative to pursue the mission underlying the housing goals must be considered in the context of market reality. For this reason, we agree with FHFA that the goals for 2009 should be significantly reduced from their 2008 levels. Data recently released by FHFA show that, in light of current economic conditions, neither Fannie Mae nor Freddie Mac met the goals set for 2008. The proposed goals for 2009 are set at the levels actually reached by the GSEs for 2008. These levels are higher than the goals set for 2004.[6] We are concerned that that the

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[1] See, e.g., Goldman Sachs, Global Economic Pater No. 177, *Home Prices and Equity Losses: Projections and Policy Options*, (Jan. 13, 2009) (estimating another $1.1 trillion in credit losses on outstanding mortgages, over an estimated $975 billion to date); Credit Suisse Fixed Income Research, Foreclosure Update: Over 8 Million Foreclosures Expected (Dec. 4, 2009) ("Credit Suisse Foreclosure Update") (estimating 9 million defaults will result in foreclosure through 2012).
[2] Center for Responsible Lending, *Soaring Spillover* (May 2009), available at http://www.responsiblelending.org/mortgage-lending/research-analysis/soaring-spillover-3-09.pdf
[3] Id.
[4] Credit Suisse Foreclosure Update at 3.
[5] "Stabilizing the Mortgage Market," presentation by James B. Lockhart III, FHFA Director, to the Urban Land Institute, Terwilliger Center Annual Forum (Washington, D.C., May 7, 2009) ("Stabilizing the Mortgage Market"), at slide 2.
[6] Stabilizing the Mortgage Market at slide13.

proposed goals for 2009 may be too high, and suggest that the goals be applied flexibly this year, to take into account market conditions as they evolve.

Finally, the foreclosure crisis has demonstrated beyond doubt the ways in which the private mortgage-backed securities market fueled lending that dramatically undermined the goals and values at the very heart of the GSEs' mission. It is clear that the guidelines applicable to whole loans purchased by the GSEs should apply equally to the loans that underlie any private mortgage-backed securities they may purchase and, certainly, goals credit should apply only to those securities whose underlying mortgages satisfy the guidelines.

We would be happy to provide any further information that may be helpful.

Respectfully,

*Submitted electronically*

Michael Calhoun
President

Ellen Harnick
Senior Policy Counsel