Congress of the United States
Washington, DC 20515

October 28, 2014

Alfred M. Pollard
General Counsel
Attn: Comments/RIN 2590-AA65
Federal Housing Finance Agency
Eighth Floor, 400 Seventh Street, SW
Washington, D.C. 20024

Re: Advanced Notice of Proposed Rulemaking on 2015-2017 Enterprise Housing Goals (RIN 2590-AA65)

Dear Mr. Pollard:

We appreciate the Federal Housing Finance Agency's (FHFA) publication of a proposed rule implementing the Congressional requirement that FHFA set housing goals for two government sponsored enterprises (the GSEs), Fannie Mae and Freddie Mac.

Our nation continues to have limited access to credit that curbs homeownership and an affordable housing crisis that keeps renters struggling financially. Due to their importance in the housing market -- the GSEs securitize nearly 74 percent of the agency market and more than half of first lien origination -- it is imperative that Fannie Mae and Freddie Mac ensure their investments provide stability, security and affordability for American families. Congress enacted the housing goals as one of the conditions for providing the GSEs with special privileges. The GSEs must have robust goals that result in innovative and sustainable approaches to expand homeownership and rental housing. The GSEs must design and implement new products that expand sustainable homeownership; they must not merely purchase a percentage of what the market offers.

The rental housing market is at the tightest it has been in generations. With 3-4 percent vacancy rates in some communities, and 4-5 percent rent increases, it is difficult to find, much less afford an apartment. More than half of all renters pay more than 30 percent of their income for housing, and one in four working renter households pay more than half. The 78 million strong echo boom generation (those born after 1986) will greatly increase demand, especially in urban centers, where they can be close to employment and transportation. In addition, African American, Latino and households without children—groups more traditionally likely to rent— are expected to make up an even larger share of new household growth as the decade progresses. Yet, we have dramatically fewer multifamily buildings being constructed than required. Based on current demographic projections, at least 3 million new multifamily rental units will be needed by 2020.

Specifically, there is a shortage of more than 7 million homes affordable to families who earn less than 30 percent of the area median income. Government subsidies help about 4.5 million families who have an average income of $12,800. However, there are approximately three times more -- or 13 million people -- who are eligible for assistance but sit on waiting lists for years or do not receive assistance for some other reason. Sixty-six percent of HUD-assisted residents are elderly or people with disabilities.

Homeownership provides security, stability and wealth-building opportunities for families. Yet, even with the lowest mortgage rates in more than sixty years, we face very low levels of mortgage origination. In addition, only one-third of homebuyers are purchasing their first home, a historically low number. More than a million families could succeed at homeownership but for demands for high credit scores, difficulties in verifying income and ability to repay, and requirements for large levels of cash for down payments and fees. Specifically, the GSEs must take steps to shrink the homeownership gap between whites and African Americans and Latinos.

We support the enactment and implementation of robust housing goals and make the following recommendations based on specific issues raised in the proposed rule:

Benchmark and retrospective market levels. We support retaining the current approach that compares the performances of the GSEs to benchmark and retrospective market levels for single family investments. We are concerned that only looking at a benchmark or at market levels could lead to perverse incentives or ignore changing market dynamics. FHFA's established goals must respond to changing market dynamics and incent creativity in securitizing single and multi-family housing.

Multifamily housing goals for Fannie Mae and Freddie Mac. We support separate sub-goals for small multifamily housing; expanding financing for this housing type could dramatically increase the supply of affordable rental housing. We request that FHFA and the GSEs look creatively at financing 1-4 unit buildings and 5+ unit buildings as well. We encourage the adoption of incentives for innovation. We request FHFA consider how current underwriting conventions affect the smaller unit properties and research the performance differences with the 1-4 unit loans compared to larger unit loans.

Counting rules and other proposed changes on single family rental units. We support the reporting changes for shared living spaces for students and seniors, especially those in nursing homes. It makes sense to count a unit as a unit, no matter how many bedrooms it has. The rent and utility clarifications, using government assisted rent levels and blanket cooperative loans are all acceptable and appropriate. In theory, we support including senior housing with upfront fees as investments although we urge the FHFA to monitor any adverse impacts on seniors who are asset-rich but with low incomes now and in the future.

Include manufactured housing communities. We support the inclusion of manufactured home communities in the goals. Manufactured home communities can provide an affordable, convenient and safe community to thousands of families. These communities should be preserved in ways that enable residents to afford both their home and their lot rent payment. Nationwide, there are more than 60,000 manufactured home communities although thousands have disappeared in the past decade.

The GSEs should be incented to invest in preserving well-run manufactured home communities with opportunities for wealth appreciation by tenants and strong consumer protections. All GSE purchases of Resident-Owned Communities (ROCs) should count toward the goals. Those communities are explicitly organized to provide security of tenure and affordable lot rents to their residents.

Investments in investor-owned communities should also count for housing goals but only if a series of consumer protections are in place. These include but are not limited to requirements of good cause for eviction, lease terms of at least a year with renewable options in the absence of good cause, provision of advance written notice of rent increases as well as information about policies on rent increases, a grace period for rent payments, a right to cure, no prohibition on the formation of resident associations, respect for the right to associate and organize, language giving a resident association the right to be notified and to present a competing purchase offer before the sale or closure of the community and provisions permitting transfer of the home to a new owner by the borrower or the lender in the event of a default.

Thank you for the opportunity to comment to ensure that Congressional-mandated goals are implemented in the best possible manner to address the housing needs of American families. We appreciate your staff's commitment to ensuring credit availability for sustainable homeownership and rental properties.

Sincerely,

Keith Ellison

Keith Ellison
Member of Congress

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