

October 22, 2014

Mr. Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
Constitution Center
Eight Floor
400 Seventh Street SW
Washington, DC 20024

Attention: Comments/RIN 2590-AA65

The 2015-2017 Enterprise Housing Goals – Proposed Rule

Dear Mr. Pollard:

We are pleased to have this opportunity to provide comments to the Federal Housing Finance Agency (FHFA) on the proposed rule: “The 2015-2017 Enterprise Housing Goals”.

The National NeighborWorks® Association (“NNA”) is the national trade association of “NeighborWorks” organizations: non-profits chartered by Neighborhood Reinvestment Corporation (d/b/a NeighborWorks® America) that create affordable housing and economic opportunities in America’s urban, rural and suburban communities. Our membership includes over 200 NeighborWorks and non-NeighborWorks non-profit housing and community development organizations working locally in 50 states, Washington, DC and Puerto Rico. These comments were prepared based on feedback from those members in the field and their national partner, NeighborWorks America (“NWA”).

Our members have a 30+ year history of providing various types of housing assistance, in particular homebuyer education and financing to Americans in communities across the country – serving mostly lower income families, borrowers with impaired credit and others who would not normally qualify for a conventional mortgage. NNA members typically serve the underserved, overlooked, and unfairly targeted.

The overarching theme of this comment letter is that post-housing crisis, there remains an incredible lack of access to credit for home purchases for affordable single family homes and an extraordinary need for affordable multi-family rental units. To the extent that the proposed Affordable Housing Goals increase access to credit and increase the supply and/or affordability of single and multi-family homes, they are to be commended. NNA supports the Agency in setting strong and measurable housing goals with an eye towards the Enterprises reaching those goals through partnership, programs and products that are innovative, flexible and sustainable.

With these proposed Enterprise housing goals, the Agency has the opportunity to change that direction. NNA and its members strongly urge the FHFA to return regulatory focus to mission-oriented production of affordable housing. Through the goals and other means, the agency can encourage sensible, responsible, effective and innovative financing to provide access to credit to underserved borrowers and renters. NNA stands ready to partner with the Enterprises to bring our expertise and commitment to bear so that together we can help build, buy and preserve single and multi-family affordable housing.

There are a number of creative opportunities where we could partner that would further the success of the statutory goals of the Enterprises. For example, the Enterprises could pilot a new product with features similar to the Federal Housing Administration's HAWK (Homeowners Armed with Knowledge) proposal. This pilot could create a financing product that includes a pricing incentive (for example, a discounted guarantee fee) for borrowers who satisfactorily complete pre-purchase homeownership education and counseling at HUD certified counseling agency. Borrowers could yield additional incentives if they committed to post-purchase counseling, as well. Bonus points could be awarded under the goals that would incent this kind of proven, safe and sustainable lending.

Other opportunities include encouraging land trust financing, allotting bonus points for manufactured housing on permanent foundations that are recorded as real estate, or finding a way to refinance and rehabilitate multifamily properties like the Rural Housing Services' Section 515 portfolio that serves rural areas around the nation.

Housing Goal Compliance

The Agency seeks comment on how to determine compliance with single-family and multi-family housing goals through the 2015-2017 time frame. Under the current framework, FHFA determines compliance by measuring against the "benchmark" level set in the previous affordable housing goals or under a backward looking market-level test based on HMDA data. NNA views this current framework as a reasonable approach going forward as opposed to ensuring compliance by using either one or the other of the two tests.

Single Family Goal Levels

Continuing the two-part housing goal compliance framework for single-family housing seems to have the balance "just right." It could, in fact, allow FHFA to stretch the goals so that the Enterprises can lead the primary market because of the safety valve ability to adjust the goals with a backward look should market conditions change dramatically. On the other hand, if there is no stretch goal, should the Enterprises continuously exceed their goals by a large margin, FHFA could retain the right to increase the goals mid-term as it would seem to indicate that the goals were set too low and should be adjusted.

FHFA should utilize the goals to work with the Enterprises to build in flexibility for affordable products and underwriting. Our members assist borrowers through counseling and down payment assistance or through buying properties to rehab and later sell in their neighborhoods. Often, inflexible underwriting becomes a barrier, so allowing variable or seasonal income to be used to qualify (in some situations) could be appropriate. Our experience is that our members' borrowers represent sustainable mortgages that the secondary market can and should safely finance.

A counseled borrower is also a safer borrower. In 2013, Neil Mayer and Associates and Experian released a study that found that homebuyers who receive pre-purchase housing counseling and education and financing from a NeighborWorks organization are nearly one-third less likely to fall behind 90 days or more on their mortgages within two years of origination, than consumers who didn't receive pre-purchase counseling and education and financing from a NeighborWorks organization.

Given the growing evidence, the agency, through the goals and other methods, could recognize and support pre-and post-purchase homeownership education and counseling by: encouraging a product to financial incent borrowers and lenders to counseling; encouraging the requirement for first-time homebuyers to complete counseling, especially if financing with another other than a 30-year fixed rate mortgage; encouraging each Enterprise to track loan performance of counseling borrowers; and, encouraging the Enterprises to work with and support the homeownership education and counseling industry to design and implement these and other recommendations to encourage borrowers to obtain homeownership education and counseling before purchasing a home.

If the goals are "stretch" goals, they can be used to encourage the Enterprises to build more partnerships with mission-oriented lenders, non-profits, CDFIs, manufactured housing resident-owned communities and others who build, provide, finance or preserve affordable housing in rural, suburban, ex-urban and metropolitan centers.

Our member groups serving rural areas and high cost areas sometimes find it harder to find qualified people in their areas due to the income level restrictions. Exploring flexibility (to go up to 120% AMI, for example) in the goals for income targets in rural areas and high cost markets would be helpful to assist with home purchasers in those harder to serve markets. Another alternative would be to allow the use of state-wide median incomes for qualifying for the goals in rural areas where appropriate.

Multi Family Goal Levels

Over the past few years, the Enterprises have successfully exceeded their multifamily goals. The multifamily goals could be adjusted upwards in order to stretch the Enterprises to do more for this market segment and borrowers who are in need of affordable rental housing. The need for more flexible underwriting guidelines and terms with regard to interest rates, loan-to-value ratios, and debt-coverage ratios, is key in the multifamily space. The goals should encourage such flexibility, especially when working with mission-oriented non-profits, such as our member organizations that are preserving or developing affordable rental housing. FHFA,

through the goals, can help the Enterprises to support construction, rehabilitation or financing through innovative, creative products and lines of credit. Further work can be done to support Low Income Housing Tax Credit investment properties, particularly those with Year 15 issues, to ensure they continue to be managed by mission-minded organizations with sufficient capital, expertise and dedication to maintain the properties as affordable for the long-term.

The New Proposed Small Multifamily Properties Sub-Goal

NNA applauds the creation of the small multifamily subgoals for the Enterprises. As it stands today, the Enterprises are not providing competitive pricing nor are their underwriting parameters designed to serve and incent this segment of the multifamily business. Flexibility, quicker processes, better debt-coverage ratios all would help to provide additional liquidity and long-term fixed rate financing for this more difficult to finance band of affordable rental housing.

Section VII. Reporting Requirements for Single-Family Rental Units

NNA supports the proposal to require the Enterprises to report more on their purchases of single-family rental properties. One-to-four unit rental properties provide a substantial amount of rental housing for the nation and provide critical affordable housing units for tenants. The need for higher down payments along with often higher interest rates on the loans, however, has impacted affordability. FHFA's proposal should provide critical information to help understand the role of the Enterprises in financing these properties as well as determining how they could provide additional responsible support to maintain this affordable housing resource.

Section IX. Blanket Loans on Manufactured Housing Parks

Manufactured housing is an important source of housing in rural, suburban and ex-urban areas alike. Requiring the Enterprises to serve the manufactured housing market should not be relegated solely to a Duty to Serve requirement, but should be, as this proposed regulation envisions, a part of the overall affordable housing goals of the Enterprises. In order to increase affordable financing options, NNA supports the concept that some manufactured housing parks should count under the multifamily housing goals as proposed by FHFA, subject to conditions that provide adequate tenant protection. For example, Resident Owned Communities or other properties owned by units of government, nonprofits or cooperatively owned groups, should receive goals credit. Goal credit could be considered for investor-owned groups if, in addition to secure tenure and other consumer protections, the lots rents are affordable to low and very-low income residents.

Closing

We applaud your leadership efforts in putting forth this important rule. NNA and its members stand ready to assist your office in any way as this proposed rule is implemented and any other efforts put forth by the Agency to increase affordable housing in this country.

Thank you for your consideration of these comments and for your efforts on behalf of consumers and the housing industry. Please feel free to contact our Executive Director, David C. Brown, for any clarification of these comments.

Sincerely,



Chris Krehmeyer
Board President



David C. Brown
Executive Director