October 28, 2014

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 Seventh Street, S.W., Eighth Floor
Washington, DC 20024

Re: (RIN) 2590-AA65 – Enterprise Housing Goals

Dear Mr. Pollard:

The undersigned national organizations of local elected officials and affordable housing and community development professionals are pleased to offer our comments regarding the Federal Housing Finance Agency's (FHFA) proposed rule setting forth the affordable housing goals for 2015-2017 for the Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac. The members of our organizations have a keen interest in expanding affordable home ownership and rental housing in their communities and thus are interested in the role that the GSEs have and will continue to play in this regard. We believe that the proposed single-family and multifamily housing goals must be aggressive, achievable and consistent with their safety and soundness.

As the statute from which the proposed rule enunciate and with which we agree:

> The annual housing goals are one measure of the extent to which the Enterprises are meeting their public purposes, which include "an affirmative obligation to facilitate
> The financing of affordable housing for low- and moderate-income families in a manner consistent with their overall public purposes, while maintaining a strong financial condition and a reasonable economic return.

The proposed rule updates the benchmark for each of the housing goals and sub goals for single-family and multifamily mortgage purchases by the Enterprises. Further the proposed rule would also revise a number of other provisions to provide greater clarity on the mortgages eligible for goal and sub goal categories.

Under the proposed rule the benchmark level for 2015 – 2017 is set at:

- Low-Income Home Purchase Goal – 23% (unchanged from 2012 – 2014)
- Very Low-Income Home Purchase Goal – 7% (unchanged from 2012 – 2014)
- Low-Income Areas Home Purchase Sub Goal – 14% (up from 11% in 2012 – 2014)
- Low-Income Refinancing Goal – 27% (up from 20% in 2012 – 2014)

Under the current regulatory regime FHFA sets two separate measures for determining the goal-qualifying share of the Enterprise's mortgage purchases: the "benchmark level" and the "market level." The first is set prospectively by rulemaking, based on various factors, including FHFA's forecast of the goal-qualifying share of the overall market. The "market level" is determined retrospectively each year, based on the actual goal-qualifying share of the overall market as measured by the Home Mortgage Disclosure Act (HMDA) data for that year. The proposed rule offers a total of three approaches to assessing compliance: benchmarking level and market level; benchmarking level only or market only.

We believe that the proposed rule should maintain the existing benchmark and market goal measures. Fannie and Freddie are used to this approach and we know of no reason to abandon it. We concur with a statement in the summary of the proposed rule: "…This two-part approach incorporates some of the advantages both of a benchmark level that is set prospectively and of a market level that is set retrospectively. BY including a benchmark level, the two-part approach gives the Enterprises more certainty in planning how they will achieve the single-family goals each year. At the same time, the retrospective market level measure helps to address the inherent difficulty of accurately forecasting years in advance, the housing goals shares of the overall market.

The proposed rule establishes the levels for the multifamily goal and sub goal for 2015 – 2017 as follows:

- Low-Income Goal (units affordable to those at 80% or less than the median income)
  Fannie Mae – 250,000 units for each of 2015- 2017, the same as 2014;
  Freddie Mac – 220,000 for 2015, increasing by 10,000 units each year to 230,000 for 2015, up from 200,000 in 2014.

- Very Low-Income Sub Goal (units affordable to families with income at 50% or less than median)
  Fannie Mae 60,000 units for each of 2015 – 2017, the same as 2014
  Freddie Mac – 43,000 for 2015 rising to 50,000 for 2015, up from 40,000 units in 2014.

- Low - Income Sub Goal for Small Multifamily (5 to 50 units)
  Fannie Mae 20,000 units for each of 2015 to 2017
  Freddie Mac – 5,000 units in 2015 to 15,000 in 2017.

The discussion of the multifamily housing goals in the proposed rule note that the Enterprises' share of the overall multifamily market increased in the years following the financial crisis and has reduced in more recent years in response to growing private sector participation. In addition, the proposed new goals reflect the fact that Fannie Mae consistently has had a higher level of multifamily mortgage purchases over Freddie Mac for every year from 2009 - 2013. We agree with this approach of setting a purchase differential between the two. We further agree with the discussion in the proposed rule that states that the Enterprises' should continue to demonstrate leadership in multifamily affordable housing lending, which includes supporting for housing for tenants at different income levels in various geographic markets and in various market segments.

We further support the establishment of the new Low-Income Sub Goal for Small Multifamily projects. This is an important segment of the multifamily market which the Census Bureau estimates to be one-third of all multifamily rental units, and we are pleased to see that the proposed rule addresses it and provides for a similar purchase differential between Fannie and Freddie.

We also support the provisions in the proposed rule "… that would allow FHFA to adjust the single-family and multifamily housing goals based on (1) the market and economic condition or the financial condition of the Enterprise, or (2) a determination by FHFA that "efforts to meet the goal or sub goal would result in the constraint of liquidity, over-investment in certain market segments or other consequences contrary to the Safety and Soundness Act or the purposes of the Charter Acts. The regulation also takes into account the possibility that achievement of a particular housing goal may or not have been feasible for the Enterprise to achieve. If FHFA determines that a housing goal was not feasible for the Enterprise to achieve, then the regulation provides for no further enforcement of that goal for that year." This makes good public policy sense.

We generally support the other changes in the proposed rule, without having specific comments. However, we do support encouraging the Enterprises' to purchase blanket loans on manufactured housing parks, based on units occupied and giving them goals-credit for doing so. Manufactured housing is an important source of affordable housing and the Enterprises' should be incentivized to purchase these loans. We don't believe it necessary to increase the goals to reflect this.

Thank you for your favorable responsible to our comments.

Sincerely,
National Association of Local Housing Finance Agencies
U.S. Conference of Mayors
National Association for County Community and Economic Development
National Community Development Association