The Honorable Melvin L. Watt, Director
Federal Housing Finance Agency
Care of Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA65
Eighth Floor
400 Seventh Street, S.W.
Washington, DC 20024

October 28, 2014

Dear Director Watt,

The National Community Reinvestment Coalition thanks you for the opportunity to publicly comment on the Federal Housing Finance Agency's proposed 2015-2017 Enterprise Housing Goals. NCRC has dedicated itself to the mission of building and protecting wealth in America's underserved communities for the past 25 years. For many families living in these communities, a home is the single most important financial asset that they will ever own. Therefore, questions related to the accessibility and affordability of mortgage credit are core to NCRC's mission and the missions of our more than 600 community-based, member organizations.

This rulemaking represents a unique opportunity for the Federal Housing Finance Agency to right the course of the housing market. Your leadership could demonstrate that, while it is critical to learn from the lessons of the past, it is most important to focus on and prepare for the future. The housing market of 2015-2017, and in the years that follow, will see more population diversity and more varieties of household formation than in almost any other period in American history. It will be a market composed of borrowers from demographics whose families were hardest hit by the Great Recession and have experienced more stagnant wage growth. When combined with the fact that these borrowers are no forced to pay higher rents, it is clear that they will have much less savings to put down on the purchase of a home. Despite these obstacles, future borrowers are strong candidates for conventional mortgages when paired with responsible mortgage products. NCRC encourages you to make a meaningful commitment to credit access now so that we can have a strong housing market in the future.

Overview of Comments

This commentary on the proposed 2015-2017 Enterprise Housing Goals proceeds in four parts.

Part One addresses the history and purpose of the Housing Goals. This section describes the federal government's historical commitment to providing broader access and greater liquidity in the conventional housing finance market, the evolution of numeric housing goals, and the legislative history and context of the modern housing goals. It also includes an overview of the importance of the goals moving forward.

Part Two considers the FHFA's three proposed alternative standards for establishing single-family goals—the benchmark standard, the hybrid benchmark plus mirror-the-market standard, and the mirror-the market standard. Our analysis concludes that the benchmark standard is the most appropriate given the statutory language, Congressional intent, government transparency, accountability, and process concerns, as well as the FHFA's commitment to use the goals to encourage the Enterprises to lead the market.

Part Three of the comment evaluates the actual numeric targets proposed in the rulemaking. In particular, our analysis of the FHFA's market estimation model suggests that a reliance on the model's median point estimates as the baseline for setting numeric targets has the potential to underestimate the actual size of the housing market for affected communities. Given these findings, NCRC recommends that the FHFA should either:

(1) rely upon the highest forecast in the market estimation model range as the baseline for establishing a stretch target; OR

(2) reconfigure the factors used in its market estimation model to develop new forecasts before the final rulemaking to improve accuracy and ensure that use of the model's estimates do not artificially decrease the Enterprises' obligations by understating market size.

Finally, **Part Four** describes several additional recommendations. NCRC recommends first that the FHFA minimize the challenges and risks associated with multiyear projections and scale

back the current rulemaking from three years to two years. Second, we recommend that FHFA reinstitute the use of bonus points and/or temporary adjustment factors to incentivize additional purchase activity in targeted markets. The use of bonus points in a previous rulemaking yielded positive results and boosted enterprise loan purchase activity.

Part One: The History of the Enterprise Housing Goals and the FHFA's Administration of the Goals

An examination of the history of Fannie Mae and Freddie Mac, and of their affordable housing obligations, reveals the government's decades-long commitment to expanding access to credit and homeownership for low-income and underserved families through the secondary market. In establishing the Enterprises, Congress found that:

> "the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation have 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."[1]

Unfortunately, under the FHFA's supervision, the Enterprises' role in facilitating affordable housing has been minimal and the goals are at their lowest levels since numeric benchmarks were first established.

In 1968, Congress configured the already thirty-year-old Fannie Mae into a government-sponsored, privately owned for-profit corporation.[2] Freddie Mac was chartered shortly thereafter in 1970.[3] Congress granted the Department of Housing and Urban Development general regulatory authority over Fannie Mae and mandated that a reasonable portion of Fannie Mae's purchases serve low and moderate-income families.[4] In response to this mandate, HUD established a numeric goal of 30 percent.[5]

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[1] 12 U.S. Code § 4501(7).

[2] GAO, "Federal Housing Enterprises: HUD's Mission Oversight Needs to Be Strengthened," available at http://www.gao.gov/products/GGD-98-173 (hereinafter, GAO Report 98-173)

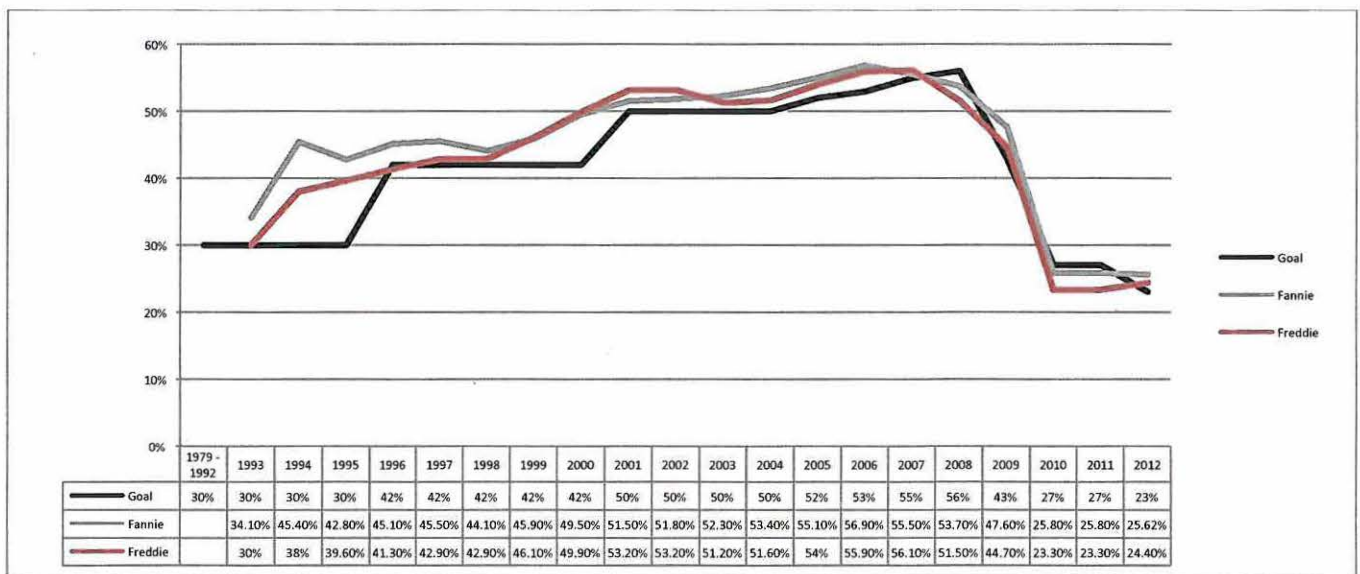
[3] GAO Report 98-173

[4] Freddie Mac was not subject to this initial numeric goal.

[5] GAO Report 98-173

In the early 1990's, Congress determined that, even with Fannie Mae's 30 percent benchmark in place, the Enterprises' mortgage purchase activities were not adequately meeting credit needs in these underserved markets. And so, in 1992, Congress enacted the Federal Housing Enterprises Financial Safety and Soundness Act, once again charging the Department of Housing and Urban Development with establishing and enforcing numeric housing goal targets.[6] According to the 1992 Act's legislative history, it was expected that the enterprises would "lead the industry" in making mortgage credit available to targeted borrowers, and that the enterprises would have to "stretch" to meet the goals.[7]

In the years following the 1992 Act, the housing goals have undergone several evolutions. Individual goals have been added, expanded, and redefined. The exact percentage requirements have been adjusted up and down, the methodology dictating how mortgages and multifamily purchases are counted toward the goals has changed, and finally, the Enterprises' regulator has changed. This brief history reveals an important and alarming fact: the housing goals now, and the credit market now, reflect the lowest level of commitment to fostering a liquid, efficient, competitive, and resilient credit market that we have seen in decades.



	1979 - 1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Goal	30%	30%	30%	30%	42%	42%	42%	42%	42%	50%	50%	50%	50%	52%	53%	55%	56%	43%	27%	27%	23%
Fannie		34.10%	45.40%	42.80%	45.10%	45.50%	44.10%	45.90%	49.50%	51.50%	51.80%	52.30%	53.40%	55.10%	56.90%	55.50%	53.70%	47.60%	25.80%	25.80%	25.62%
Freddie		30%	38%	39.60%	41.30%	42.90%	42.90%	46.10%	49.90%	53.20%	53.20%	51.20%	51.60%	54%	55.90%	56.10%	51.50%	44.70%	23.30%	23.30%	24.40%

Figure 1: Historical Enterprise Housing Goal Benchmarks and Enterprise Performance (Source: Fannie Mae and Freddie Mac's Annual Housing Activity Reports)

[6] GAO Report 98-173
[7] S. Rep. No 102-282

The chartering of Fannie Mae in 1938, its reconfiguration in 1968, the chartering of Freddie Mac in 1970, and the implementation of the modern Enterprise housing goals in 1992, and the changes thereafter all reveal the federal government's decades-long commitment to creating an accessible and affordable mortgage market. Unfortunately, under the authority if the FHFA that commitment has waned to the lowest levels since the first use of numeric housing goals.

1. **By law, the FHFA must make sure that Fannie Mae and Freddie Mac fulfill their mission to foster an affordable and healthy mortgage market for working-class people.**

In your very first public speech as the Director of the Federal Housing Finance Agency, you noted that the FHFA's proper role is "to continue to fulfill our statutory mandates, to execute our Strategic Plan and to manage the present status of Fannie Mae and Freddie Mac."[8] Chief among the Federal Housing Finance Agency's statutory mandates is a principal duty to make sure that:

> "the operations and activities of each regulated entity foster liquid, efficient, competitive, and resilient national housing finance markets (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities)."[9]

2. **So far, the FHFA's oversight of Fannie and Freddie's mission obligations has produced poor results. Given the FHFA's future market-share projections, those results are likely to become even worse.**

Unfortunately, in the five years since the FHFA has assumed regulatory responsibility for the Enterprises, the national housing finance market for single-family mortgages to low- and moderate-income families has been anything but liquid, efficient, competitive, or resilient. Instead, the market share of home purchase loans for these families has dropped by 8.3 percent:

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[8] Prepared Remarks of Melvin L. Watt at the Brookings Institution Forum on the Future of Fannie Mae and Freddie Mac (may 13, 2014), available at http://www.fhfa.gov/Media/PublicAffairs/Pages/Watt-Brookings-Keynote-5132014.aspx (last accessed October 18, 2014).

[9] 12 U.S. Code § 4513(a)(1)(B)(ii).

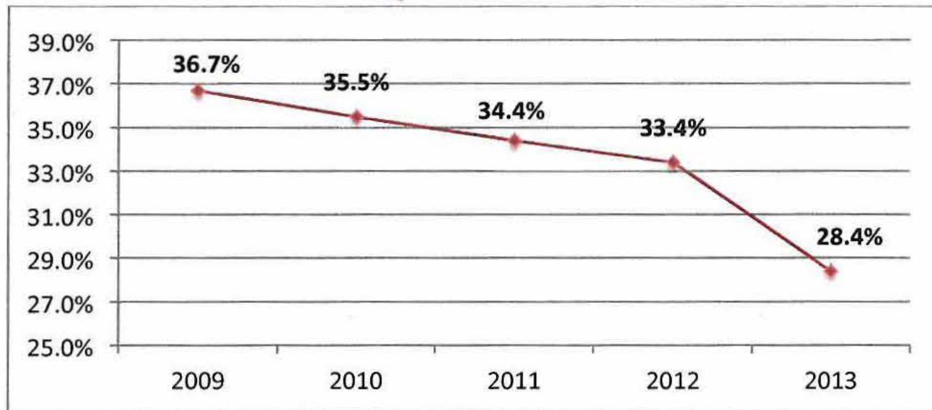

Figure 2: Actual Market Share Percentages of Home Purchase Loans to Low and Moderate-Income Families in the United States. (Source: 2013 Home Mortgage Disclosure Act Data, Federal Reserve Bulletin, Neil Bhutta, etc.)

The availability of conventional mortgage credit in the national housing finance market for low- and moderate-income families has dwindled right along with their mortgage purchase market share as a whole:

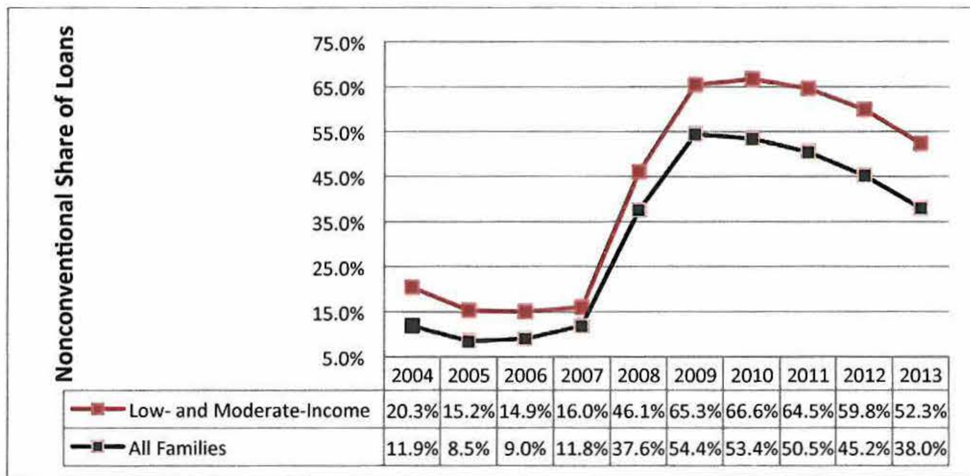

Figure 3: The Majority of Low- and Moderate-Income Families are Still Forced to Rely on Nonconventional Mortgage Credit to Buy Homes (Source: Table 3 2013 HMDA Data Federal Reserve Bulletin).

Part Two: The FHFA's Three Alternative Standards for Establishing Single-Family Goals

In the proposed rulemaking, the FHFA outlines three alternative standards for establishing the housing goals: the benchmark standard, the hybrid benchmark plus mirror-the-market standard, and the mirror-the-market standard. All of these proposed alternatives should be assessed in terms of their compliance with Congress' intent for the goals, the transparency of the goals and

the process, the accountability they will provide in the marketplace, the process and administrative concerns, as well as the FHFA's commitment to use the goals to encourage the Enterprises to lead the market.

Our analysis concludes that the benchmark standard is the most appropriate given the statutory language, Congressional intent, government transparency, accountability, and process concerns, as well as the FHFA's commitment to use the goals to encourage the Enterprises to lead the market.

A. The FHFA does not have legal authority to adopt the retrospective mirror-the-market standard.

In the proposed rule, the FHFA has suggested that it may "revise the existing regulatory language in §1282.12(a) to provide that '[a]n Enterprise shall be in compliance with a single-family housing goal if its performance under the housing goal meets or exceeds the share of the market that qualifies for the goal.'" This standard, however, is in direct conflict with 12 U.S. Code §4562, which notes that—in conjunction with calculating retrospective market performance for prior years:[10]

> "The Director shall, by regulation, establish targets for each of the goal categories, taking into consideration the calculations under subparagraph (A) and the following factors:
> (i) National housing needs.
> (ii) Economic, housing, and demographic conditions, including expected market developments.
> (iii) The performance and effort of the enterprises toward achieving the housing goals under this section in previous years.
> (iv) The ability of the enterprise to lead the industry in making mortgage credit available.
> (v) Such other reliable mortgage data as may be available.
> (vi) The size of the purchase money conventional mortgage market, or refinance conventional mortgage market, as applicable, serving each of the types of families described in subsection (a), relative to the size of the overall purchase money mortgage market or the overall refinance mortgage market, respectively.

[10] 12 U.S.C.§4562(e)(2)(A).

> (vii) The need to maintain the sound financial condition of the enterprises."[11]

These additional factors, and the statute's requirement that the Director take them in to consideration when creating the goals, preclude the Agency from persuasively arguing that it has the authority to enact a retrospective mirror-the-market standard exclusively. That interpretation would render Congress' additional factors meaningless in the FHFA's analysis and, therefore, violate the process that Congress mandated the FHFA to undertake in creating the goals.

Moreover, under federal law, a particular provision's language must be taken in context of the statute as a whole and cannot be interpreted in a manner that does violence to the Act's whole structure. Under the agency's interpretation of its authority to create a retrospective benchmark exclusively, Congress would have no reason to specifically grant the agency the authority to retroactively adjust benchmarks based on subsequent data as it does under 12 U.S.C. §4562(e)(3). Instead, Congress would have presumed that the benchmarks would have already been retrospective and, therefore, would have no need for adjustment.

B. The FHFA does not have legal authority to adopt the hybrid benchmark plus retrospective mirror-the-market standard as proposed in the rulemaking.

Since being tasked with creating and administering the Enterprises' housing goals, the Federal Housing Finance Agency has claimed that it "may adjust the benchmark levels for any single-family or multifamily housing goals in a particular year without going through notice and comment rulemaking…."[12] Accordingly, the FHFA's proposed rule seeks to give force to this understanding by taking two actions:

> **First**, the agency proposes to continue enacting a regulation that would allow it to retroactively adjust benchmarks without going through public notice and comment requirements.
>
> **Second**, the FHFA's proposed rule ponders the adoption of a benchmark plus "mirror-the-market" standard.

[11] 12 U.S.C.§4562(e)(2)(B).
[12] Proposed Rule at p. 7; see also 12 CFR 1282.14(d).

Unfortunately, each of these actions, and the underlying assertion of legality that they are based upon, directly contradict the agency's actual scope of authority under the law.

1. **Congress has explicitly legislated the scope of the FHFA's authority to retroactively adjust housing goal targets.**

"[A]n agency's power is no greater than that delegated to it by Congress."[13] In 12 U.S.C. §4562(e)(3), Congress established the limits of the FHFA's ability to retroactively adjust housing goal targets. That provision plainly states that the "Director may, ***by regulation***, adjust the percentage of targets ***previously established by regulation***...for any year, to reflect subsequent available data and market developments."[14]

2. **Congress's grant of authority under 12 U.S.C. §4562(e)(3) is inconsistent with the FHFA's proposal that would allow it to retroactively change housing goal targets without first going through notice and comment rulemaking.**

By its text, 12 U.S.C. §4562(e)(3) does not grant the FHFA authority to administratively adjust housing goal targets, once established by rulemaking, without first soliciting public input on any change. Instead, the statute subjects each retroactive adjustment of a housing goal target to a public process that occurs within the traditional confines of rulemaking.

Under existing law, a federal agency's rulemaking process is governed by the requirements of the Administrative Procedure Act:

> "When a regulatory agency exercises its statutory authority to set standards and prescribe conduct, as is the case here, it must do so in accordance with the substantive rulemaking provisions of the APA."[15]

The Administrative Procedure Act, 5 U.S.C. §553 et al, states that every substantive rulemaking and regulation requires that a: (1) "[g]eneral notice of proposed rule making shall be published in the Federal Register", and (2) "[a]fter notice required by this section, the agency shall give

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[13] *Lyng v. Payne*, 476 U.S. 926, 937 (June 17, 1986).
[14] 12 U.S.C. §4562(e)(3) (emphasis added).
[15] *Community Nutrition Institute v. Butz*, 420 F.Supp. 751, 754 (D.C.Cir. 1976).

interested persons an opportunity to participate in the rule making through submission of written data, views, or arguments with or without opportunity for oral presentation."[16]

In *Back Country Horsemen of America v. Johanns*,[17] the United States District Court for the District of Columbia noted that:

> "[a]t a minimum, [an] agency cannot use its regulations to avoid statutorily mandated notice and comment. *Nat'l Wildlife Fed'n v. Burford*, 835 F.2d 305, 322–23 (D.C.Cir.1987). Nor can it promulgate regulations that are inconsistent with its statutory mandate."[18]

Given Congress's language in 12 U.S.C. §4562(e)(3) and the requirements imposed by the Administrative Procedure Act under 5 U.S.C. §553, there is no legal basis for the FHFA to claim—as it has previously asserted in regulation and continues to assert in the currently proposed rule—that is has the power to bypass notice and comment rulemaking when retroactively adjusting affordable housing goal targets.

Under binding federal law, the Agency has an affirmative obligation to subject each and every retroactive adjustment of a housing goal target to the notice and comment requirements of the Administrative Procedure Act.

3. No statutory exceptions to the Administrative Procedure Act justify the FHFA's proposed attempt to circumvent notice and comment requirements.

Of course, the FHFA could suggest that retroactive adjustments to housing goals are somehow exempt from the Administrative Procedure Act because the agency's actions are interpretive, rather than substantive. But that argument would find no support in the law:

> "In general terms, interpretive rules merely explain, but do not add to, the substantive law that already exists in the form of a statute or legislative rule. *Yesler Terrace Community Council v. Cisneros*, 37 F.3d 442, 449 (9th Cir.1994). Legislative rules, on the other hand, create rights, impose obligations, or effect a change in existing law pursuant to authority delegated by Congress. *Id.*"[19]

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[16] 5 U.S.C. §553.
[17] 424 F.Supp.2d 89 (D.C. D.Ct. 2006).
[18] *Id.* at 96.
[19] *Hemp Industries Ass'n v. Drug Enforcement Admin. Eyeglasses*, 333 F.3d 1082, 1087 (9th Cir. 2003).

Any retroactive adjustment of a housing goal target for Fannie Mae or Freddie Mac naturally changes each enterprise's legal obligation under the previously existing legislative rule that established the annual target and was issued by the FHFA in accordance with the authority granted to it by 12 U.S.C. §4561(a).

In this context, the law is clear. "[N]ew rules that work substantive changes in prior regulations are subject to the notice and comment procedures of the Administrative Procedure Act."[20]

4. **The FHFA's proposed reliance on administrative power to retroactively adjust housing goal targets also defeats the Agency's own motivations in issuing the proposed rule.**

In addition to being beyond the scope of the FHFA's legal authority, the administrative adjustment of housing goal targets without first soliciting public input and, likewise, the adoption of a "benchmark plus mirror-the-market" standard is just bad public policy. In issuing the proposed 2015-2017 Enterprises Housing Goals rulemaking, the FHFA notes that one of its main objectives is to "establish more transparent agency procedures if FHFA issues guidance on the housing goals in the future."[21] Given that desire, NCRC asks the agency to consider the fact that federal courts have long recognized that "[n]otice and comment procedures secure the values of government transparency and public participation…."[22] Thus, the FHFA's own stated objective weighs in favor of rejecting any language in the final housing goal rule that would allow the Agency to circumvent notice and comment requirements when retroactively adjusting a housing goal target.

5. **The final rule should eliminate the FHFA's proposed abuses of discretion and ensure that the Agency's rulemaking achieves its stated objective by adopting a benchmark standard and using Congress' legislative methods for adjusting the target to reflect market changes.**

Considering the FHFA's stated commitment to transparency and its permissible scope of authority under the law, the final rule for the Enterprises' 2015-2017 Housing Goals should

[20] *Sprint Corp. v. F.C.C.*, 315 F.3d 369, 374 (D.C. Cir. 2003).
[21] Proposed rule at p. 2.
[22] *Iowa League of Cities v. E.P.A.*, 711 F.3d 844, 873 (8th Cir. 2013).

ensure that any retroactive adjustment of a housing goal target actually complies with the requirements of the Administrative Procedure Act.

Part Three: The Accuracy of the FHFA's Proposed Numeric Targets for Low-Income Home Purchases

1. **Underestimating LMI borrowers' market share to preserve the status quo is hardly the same thing as the FHFA requiring Fannie Mae and Freddie Mac to actually lead the market.**

By setting a 23 percent target for 2015-2017, the FHFA claims that it is "proposing benchmark levels for the low-income home purchase housing goal that are somewhat higher in the forecast range to encourage the Enterprises to continue to find ways to support lower income borrowers…."[23] On the surface, this claim would appear to be accurate. A 23 percent target is progressively higher than the point estimates that the FHFA has projected as the overall market share for low-income home purchases in 2015 – 2017:

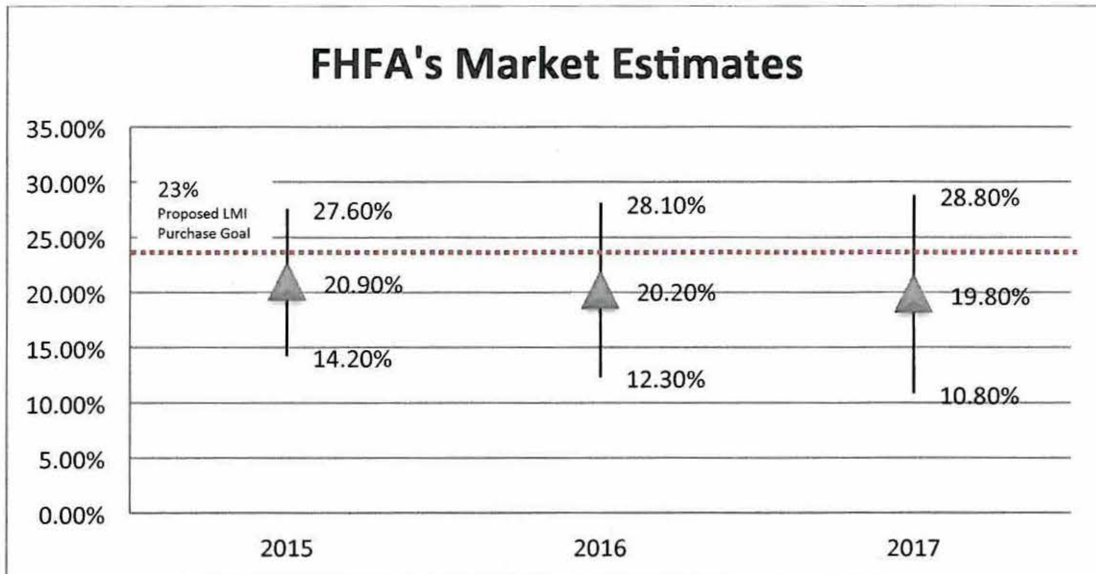

Figure 4: FHFA's Low-Income Purchase Market Share Estimates 2015-2017

However, upon closer inspection, this claim proves to be artificial.

2. **The Enterprises past goal performance challenges the accuracy of the FHFA's market estimation model and projected point estimates.**

[23] 2015-2017 Proposed Rule at 18.

In order to generate the numeric housing goal targets, Congress has instructed the FHFA to consider "[t]he performance and effort of the Enterprises toward achieving the housing goals under this section in previous years."[24]

An examination of the Enterprises past performance over the last 8 years demonstrates that they have an average performance of approximately 25 percent for low-income home purchases:[25]

Past Performance of Fannie and Freddie on Low –Income Purchase Goal By Percentage of Annual Business Activity		
Year	Fannie Mae	Freddie Mac
2013	23.8%	21.8%
2012	25.6%	24.4%
2011	25.8%	23.3%
2010	25.1%	26.8%
2009	25.5%	25.4%
2008	23.1%	24.3%
2007	26.0%	24.6%
2006	27.7%	22.1%

This average was obtained at a time when the market and the nation's economy overall were undergoing intense challenges and both Fannie and Freddie were experiencing significant competition from private-label securities.

Given those challenges, it is reasonable to surmise that this performance is lower than what should be expected of the Enterprises when, as now, they constitute the predominant players in the secondary mortgage market, the refinancing market has all but disappeared, unemployment numbers are projected to decline to their lowest levels since the 1990s, and policy impediments—such as concerns around representations and warranties—are expected to be resolved. Accordingly, it is clear that the proposed 2015-2017 numeric targets for low-income home purchase goals are too low.

[24] 12 U.S.C.§4562(e)(2)(B).
[25] Proposed Rule at 117 (Table 6).

To recommend a more accurate number that reflects economic conditions and a market environment that more closely aligns with 2015-2017, NCRC has examined Fannie and Freddie's performance between 2000 – 2004. A report completed by the Department of Housing and Urban Development shows that at least one of the Enterprises, Fannie Mae, allocated as much as 28% of their business activity to low-income home purchases during that timeframe.[26] Accordingly, relying upon the GSE's prior performance, NCRC recommends that the final rule include a stretch low-income home purchase goal target of at least 28%.

Part Four: Additional Recommendations

A strong benchmark that is the result of good data, modeling, and analysis, and that stretches the Enterprises is the most critical component to the FHFA fulfilling its statutory obligations. But there are other steps you can take to enhance the effectiveness of the goals for this next rulemaking period.

1. **The FHFA should scale back the current rulemaking period so that it covers only a two- year period.**

Our analysis of the model's past performance indicates that underestimation of the market is at its most severe in the agency's third-year forecasts, which the FHFA concedes involve a much greater degree of uncertainty. Due to this uncertainty and the harm caused by a market underestimation's ability to frustrate the purpose of affordable housing goals, NCRC recommends that the agency's final rulemaking cover only a two-year period, 2015-2016, rather than the currently proposed three years.

2. **The FHFA should reinstate temporary bonus points and/or a temporary adjustment factors.**

The conventional mortgage credit market is extraordinarily tight. Credit score and down-payment requirements are at near-historic highs and are shutting out even those borrowers with prime credit profiles. Congress chartered the Enterprises to credit liquidity in the secondary

[26] Profiles of GSE Mortgage Purchases in 2001 – 2004, Department of Housing and Urban Development, Office opf Policy Development and Research (April 2008).

market knowing that demand in the secondary market is actually what drives demand and production in the primary market. By using bonus points and temporary adjustment factors to drive demand for a broader spectrum of loans in the secondary market, credit will expand on the primary market.

In your recent remarks to the Mortgage Bankers' Association, you stated that the FHFA is working with the Enterprises to develop revised guidelines for the purchase of loans with a loan-to-value ratio between 95 and 97 percent. This initiative reflects the reality that the very high down payments currently required by most lenders are one of the principal barriers to many low-income households achieving homeownership. Once these guidelines have been finalized, the FHFA should offer temporary bonus points to the Enterprises for purchasing these loans.

There is precedent for the Enterprises to receive bonus credits to incentivize specific purchases. The Housing Goals in 2000 provided for the award of temporary bonus points (double credit) toward the Housing Goals for both GSEs' mortgage purchases that financed single-family, owner-occupied 2-4 unit properties, and a Temporary Adjustment Factor (TAF) for supporting financing of 5-50 unit multifamily properties. These incentives were created to encourage the GSEs to meet underserved credit and financing needs, and with the expectation that the GSEs would work to develop their purchasing strategies.

The Department of Housing and Urban Development reviewed the impact of this temporary bonus and found that both GSEs increased their financing of units targeted by the bonus points and the temporary adjustment factors. In fact, that study found that, with respect to small multifamily purchases, Fannie Mae purchased loans at 32 times their pre-incentive levels, and Freddie Mac's purchases increased 61 times their pre-incentive level.[27] Fannie Mae and Freddie Mac's purchases of owner-occupied 2-4 units increased 31 and 37 percent respectively.[28]

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[27] Paul Manchester, Effectiveness of HUD's Housing Goal Incentives for Freddie Mac and Fannie Mae: Small Multifamily & Certain Single-Family Rental Properties, May 30, 2006, available at http://www.huduser.org/Publications/PDF/AREUEA_Presentation.pdf

[28] *Id.*

There is an urgent need for affordable rental housing. Half of all current renters are "cost-burdened," meaning they pay more than 30 percent of their gross income for rent, and more than a quarter spend over 50 percent of their income on rent.[29] One-to-four unit homes, which supply more than half of all occupied rental units, are a critical segment of the rental housing market.[30] Single-family rental units provide affordable housing for lower-income households, supplying three-quarters of unsubsidized rental units with rents below $400 a month and nearly 60 percent of unsubsidized units with rents between $400-599.[31]

Owner-occupied two-to-four unit housing is an important segment of the housing market and one where there is a need for increased access to credit for qualified buyers. When well underwritten and combined with quality housing counseling, owner-occupied two-to-four unit properties are an important opportunity for affordable homeownership for lower-income borrowers, with rental income supporting mortgage payments and building maintenance. Accordingly, we support a bonus credit valued at 1.25 for two-to-four unit buildings that are owner-occupied, and where the owner has completed housing counseling with a HUD-approved housing counseling agency, which includes landlord counseling for owner-occupants of two-to-four unit buildings.

At a time when even prime borrowers are unable to get mortgage credit, instituting a policy that incentivizes—but does not require—additional purchase activity should be considered. Bonus points and adjustment factors have a demonstrated history of success and expanding access quickly. These incentives can be short term, but have tremendous impact on the availability of credit across the entire spectrum, not just the targeted markets.

Thank you for providing the National Community Reinvestment Coalition, and the 600 community-based, member organizations that we represent, the opportunity to share our thoughts on how the proposed 2015-2017 Enterprise Housing Goals rulemaking can be improved and better ensure that Fannie Mae and Freddie Mac are fulfilling their statutory obligation to foster a healthy national mortgage market for low- and moderate-income families. If you have any

[29] Harvard Joint Center on Housing Studies, "America's Rental Housing" (2013)
[30] Harvard Joint Center on Housing Studies, "America's Rental Housing: Rental Housing Supply," (2013).
[31] Harvard Joint Center on Housing Studies, "America's Rental Housing: Rental Housing Stock," (2011).

questions regarding our comment, please feel free to contact Mitria Wilson, NCRC's Director of Legislative and Policy Advocacy, at mwilson@ncrc.org or (202) 464-2722.

Sincerely,

John Taylor,

President and CEO
National Community Reinvestment Coalition