

VIA ELECTRONIC DELIVERY

October 28, 2014

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

Re: 2015–2017 Enterprise Housing Goals — RIN 2590–AA65

Dear Mr. Pollard:

The Pennsylvania Housing Finance Agency (PHFA) respectfully submits this letter to the Federal Housing Finance Agency (FHFA) in response to the request for comments in the recently published proposed rule concerning the housing goals for Fannie Mae and Freddie Mac (the Enterprises). PHFA is a state Housing Finance Agency (HFA) created by the Commonwealth of Pennsylvania to provide Pennsylvanians with low- and moderate-incomes and other specialized needs with safe, affordable housing opportunities. PHFA provides funding for and services single-family and multifamily mortgages, issues tax-exempt bonds, allocates federal low-income housing tax credits and administers Section 8 housing assistance payments contracts.

For decades, PHFA predominantly funded its loans with mortgage revenue bonds, pledging loans held in portfolio by PHFA as security for the bonds. The recent financial crisis and the current interest rate environment caused PHFA to explore and expand alternative business models to continue to serve its mission of providing affordable housing opportunities for Pennsylvanians. Today, nearly all of PHFA's single-family loans are originated with the intention of being pooled in Fannie Mae or Ginnie Mae securities. PHFA continues to build its relationship with the Enterprises, and the proposed housing goals are an opportunity to provide feedback that may help the Enterprises to meet their goals and PHFA to accomplish its mission.

The proposal states that the Enterprises should engage in outreach to state and local HFAs to better serve creditworthy but underserved borrowers and renters. PHFA welcomes such outreach, and looks forward to working with the Enterprises to accomplish our mutual goals. The Consumer Financial Protection Bureau and other federal agencies have recognized the high underwriting and servicing standards of HFAs, codifying exemptions for the new ability-to-repay, servicing, credit risk retention and other rules, permitting HFAs to continue to extend credit to underserved consumers with minimal regulatory burden and liability. We ask that FHFA encourage the Enterprises to seek input from and to continue to build stronger business relationships with PHFA and other HFAs.

We also wish to express that HFAs have limited resources, which we believe are best devoted to serving our public mission. We understand that the Enterprises by necessity require data to guarantee and securitize loans while pursuing their housing goals, and we hope that any new reporting requirements leverage existing reporting channels to limit compliance burdens whenever possible. We also ask that the Enterprises consider the costs and burdens associated with reporting and compliance when setting fee levels for their HFA programs.

Single-Family Housing Goals

PHFA agrees that the Enterprises should maintain current benchmarks for low- and very low-income borrowers even though the overall market share of low-income home-purchase mortgages is projected to decline. PHFA also agrees that the benchmarks for low-income areas and refinances should be increased. Although many lenders have begun to relax the rigid overlays that were put in place during the financial crisis, low-income borrowers and areas continue to have more limited access to credit. The Enterprises should have a strong appetite for loans extended to traditionally underserved borrowers, to ensure that low-income borrowers and areas have access to responsibly underwritten loans.

The public missions of HFAs align with the Enterprises' housing goals, ensuring the long term sustainability of home ownership while providing opportunities for home purchase. HFAs have established quality underwriting standards for underserved consumers and also provide credit counseling services and high-touch servicing. HFAs can be relied upon to remain stable and consistent in their approach, resulting in prudent extensions of credit regardless of market conditions.

Regarding the proposed alternatives for assessing whether the Enterprises meet their single-family housing goals, PHFA believes that the third, market-level only alternative should be adopted. The market-level approach seems well suited to encourage the use of HFA initiatives to meet Enterprise goals. Although the current large market share of the Enterprises dilutes the meaningfulness of this approach, it ensures that Fannie Mae and Freddie Mac will continuously pursue their goals even in years in which production exceeds market expectations.

Multifamily Housing Goals

PHFA encourages the Enterprises to increase volume in their multifamily loan programs, as multifamily mortgages performed well even during the crisis and often provide opportunities for low-income families to find affordable housing. We also encourage the Enterprises to develop new programs to purchase multifamily mortgages underwritten and originated by HFAs. As the proposal notes, HFAs provide financing to projects in exchange for affordability restrictions, and we are therefore well suited to aid the Enterprises in meeting their multifamily housing goals.

PHFA supports the new small multifamily property goals. We agree that loans to smaller developments often present opportunities for affordability absent in larger developments. We also believe that the Enterprises are well situated to lead the market to standardized practices and more long term financing opportunities for smaller developments. We also hope that the Enterprises will work with HFAs to establish programs creating new opportunities in this market segment.

We encourage FHFA to count blanket loans on manufactured housing parks as mortgage purchases for the multifamily housing goals. An increased presence of the Enterprises in this market segment will provide new opportunities for park developers to obtain favorable interest rates and terms while providing additional consumer protections to renters. Low- and very-low income renters often seek housing in manufactured housing parks, and eligibility requirements for Enterprise financing will greatly benefit underserved populations. The housing goals should be changed to provide these benefits to consumers living in manufactured housing parks, and the multifamily goals should be increased to account for the expanded scope of the housing goals.

Thank you for your time and your consideration. Please feel free to contact me if I can answer any questions or provide any additional clarifications regarding the housing goals proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. O'Neill', written in a cursive style.

Steven O'Neill
Assistant Counsel