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Via Electronic Submission – RegComments@fhfa.gov and Regulations.gov

September 5, 2017

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

Re: Comments – RIN2590-AA81 (Enterprise Housing Goals)

Dear Mr. Pollard:

Freddie Mac is pleased to submit our enclosed comments on the Federal Housing Finance Agency's proposed rule regarding the 2018-2020 Enterprise Housing Goals.

Freddie Mac is committed to our statutory mission to provide liquidity, stability and affordability to the U.S. housing market. We commend FHFA for its thoughtful development of the proposed rule and look forward to working toward our shared objective of supporting affordable and sustainable homeownership and rental opportunities across the country.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Wendell J. Chambliss

Wendell J. Chambliss
Vice President and Deputy General Counsel
Mission, Legislative and Regulatory Affairs Department
Legal Division

Enclosure

OVERVIEW

Freddie Mac appreciates the opportunity to provide comments on the Federal Housing Finance Agency's (FHFA) proposed rule to implement the 2018–2020 Enterprise Housing Goals (the Proposed Rule).[1]

We strongly support FHFA's efforts to advance affordable housing goals in the context of the Enterprises' overall public mission and safety and soundness principles. We take seriously our statutory obligation to "facilitate the financing of affordable housing for low- and moderate-income families in a manner consistent with [our] overall public purposes, while maintaining a strong financial condition and a reasonable economic return."[2] Freddie Mac recognizes we must fulfill the public purposes for which we were chartered: "provid[ing] ongoing assistance to the secondary market for residential mortgages—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"; and "promot[ing] access to mortgage credit throughout the Nation."[3] As the housing market continues to recover from the most recent financial crisis, Freddie Mac maintains the belief that advancement of its public mission is critical to the country's continued economic stability and growth. The availability of low-cost mortgage credit and affordable housing opportunities are necessary elements in support of neighborhood stabilization and revitalization. Rising housing prices, limited household income growth, expected future increases in interest rates and demographic housing pattern changes all underscore the need for Freddie Mac to continue its mission of making credit available to low- and moderate-income families as well as acting as a market leader in providing crucial support to the rental housing market. Accordingly, we support FHFA's housing goals framework designed to further the Enterprises' role in making homes affordable and rental properties available, and commend FHFA for proposing a rule that reflects this holistic approach.

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1 82 Fed. Reg. 31514 (July 7, 2017).
2 12 USC 4501(7).
3 12 USC 1451(b)(3) & (4).

Our comments on the Proposed Rule are organized as follows:

Section I discusses Freddie Mac's broad public purposes, its affordable housing mission, and the overlay of safety and soundness. We believe that these foundational principles should guide FHFA's rulemaking and any assessments thereunder. In addition, we provide information concerning our support of affordable housing during 2016 (the most recent year for which complete data is available).

Section II discusses the proposed single-family goals. Freddie Mac continues to support the dual approach of measuring single-family housing goal performance. Considering existing market challenges and our substantial efforts to expand access to mortgage credit, Freddie Mac encourages FHFA to consider introducing a qualitative aspect to the single-family affordable housing goals counting methodology.

Section III discusses the proposed multifamily goals. Freddie Mac continues to play a vital role in the multifamily mortgage market, which is integral to our affordable housing mission. We agree that as our multifamily business continues to grow our support for affordable multifamily housing should similarly increase. Given the increasing very low-income supply gap and associated market costs, we encourage FHFA to consider applying a goals multiplier to those very low-income units underlying mortgage purchases when such units are subject to documented rental restrictions.

Section IV discusses opportunities to revise certain multifamily affordable housing goal counting rules. We recommend two specific revisions to these counting rules that would strengthen and support Freddie Mac's efforts to "facilitate the financing" of affordable housing as envisioned by Congress.

I. FREDDIE MAC'S AFFORDABLE HOUSING MISSION

Freddie Mac is a strong supporter of sustainable homeownership opportunities for low- and moderate-income families. Our affordable housing mission — including the affordable housing goals, which is but one measure of the extent to which the Enterprises are meeting their public purposes[4] — cannot be viewed in isolation. Our overall public mission, consistent with safety and soundness principles, must guide the efforts to support affordable housing. FHFA has previously acknowledged that it "does not intend for the Enterprises to undertake uneconomic or high-risk activities in support of the goals"[5] and believes "[m]aintaining sound underwriting discipline going forward is important for conserving the Enterprises' assets and for supporting their mission in a manner in which the achievement of housing goals directly relates to actual market conditions."[6] To that end, Freddie Mac regularly evaluates market conditions, the credit environment, and the performance of our mortgage purchases in an effort to ensure that our business practices serve our mission to provide liquidity and stability to the mortgage market and promote affordable housing.

Single-Family Affordable Housing Activity

In 2016, Freddie Mac through its single-family products, programs and services, financed housing for more than 1.7 million single-family owner-occupied families including purchasing more than 268,000 mortgages of first-time homebuyers. Freddie Mac's Single-Family Affordable Lending and Access to Credit organization has a continued focus on meeting the needs of first-time and underserved homebuyers through responsible offerings, the development of strong relationships, encouragement and financial support for financial literacy, homeownership education and counseling services, and a heightened focus on broadening access to credit.

For example, Freddie Mac's low-down payment mortgage, the Home Possible Advantage® 97 percent LTV mortgage product, and the HFA Advantage® mortgage product specifically created for State and Local Housing Finance Agencies, both continue to gain interest and have been very successful in providing financing for first-time homebuyers. As of December 31, 2016, 88% of HFA Advantage purchase mortgages were attributable to first-time homebuyers.

[4] 82 Fed. Reg. at 31515.
[5] 75 Fed. Reg. 9034, 9035 (Feb. 26, 2010).
[6] *Id.* at 9036.

Freddie Mac has also maintained alliance programs with the Independent Community Bankers of America, the Credit Union National Association, the Capital Markets Cooperative, the Mortgage Bankers Association and The Mortgage Collaborative, and most recently entered new alliances with Lenders One and The Community Mortgage Lenders of America. These alliance programs provide additional services to our lender customers, including customized training opportunities and involvement in local and regional strategic market initiatives to help support the needs of first-time and underserved homebuyers. Additionally, Freddie Mac supports foreclosure prevention activities through outreach initiatives, events, and activities with housing professionals. These efforts have resulted in approximately 50,000 borrowers receiving information and education on alternatives to foreclosure through our borrower help centers, regional and local initiatives and non-profit housing counseling relationships.

Multifamily Affordable Housing Activity

Freddie Mac's multifamily business is an affordable housing business. Approximately 90% of the loans we finance in any given year support low- and moderate-income households who earn no more than area median income. Freddie Mac helps meet the need for affordable rental housing by purchasing and securitizing multifamily mortgages originated by numerous financial institutions. Working through our networks of lenders, Freddie Mac supports the financing of affordable apartment communities across America through a variety of products and services.

Freddie Mac serves as a stable source of liquidity and continued support of the multifamily market and the nation's renters as evidenced by our 2016 total multifamily new business activity of $56.8 billion. 2016 multifamily business activity consisted of more than 4,500 mortgage purchases, providing financing for almost 740,000 apartment units. Nearly 90% of these apartments were affordable to low- and moderate-income families and we estimate Freddie Mac financed approximately 22% of the overall multifamily market in 2016. As part of this, to expand liquidity and affordable housing in the multifamily mortgage market, we continued our support of workforce housing during 2016 through our purchases of manufactured housing community loans and small balance loans.

II. SINGLE-FAMILY AFFORDABLE HOUSING GOALS

(a) Maintain Dual Approach of Measuring Goal Performance

Freddie Mac continues to support the dual approach of measuring housing goal performance against either FHFA's pre-established benchmark or the actual market level, as measured retrospectively based on Home Mortgage Disclosure Act of 1975 (HMDA) data. Freddie Mac appreciates FHFA's publication of its research paper[7] detailing its new market models used to generate the single-family housing goal forecasts for the 2018-2020 period for the two Enterprises and would value a discussion with FHFA regarding the new models prior to finalizing the Proposed Rule and related benchmarks.

The mortgage market is inherently difficult to forecast. Market data typically has a long lag time or in certain scenarios is not well-populated, making projections of market size and composition extremely difficult. Additionally, unanticipated economic events can lead to dramatic consequences that can reverberate throughout the residential mortgage market. The interest rate environment, housing prices, consumer confidence levels, household income and the unemployment rate can change rapidly and, in turn, have a profound effect on the volume and goal-qualifying composition of the Enterprises' mortgage purchases.

The Proposed Rule maintains the measurement of the Enterprises' single-family goal performance relative to benchmark levels for the goals-qualifying shares of the Enterprises' mortgages purchases, as well as relative to the actual goals-qualifying shares of the primary mortgage market. FHFA's dual, integrated approach combines prospective benchmark targets with a retrospective assessment or "recalibration" based on actual primary market goals-qualifying shares. This dual approach to goals-setting eliminates exclusive reliance on uncertain market forecasts while having the Enterprises' continue to strive to meet the proposed

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[7] *The Size of the Affordable Mortgage Market: 2018 – 2020 Enterprise Single-Family Housing Goals,* Federal Housing Finance Agency, May 2017, available at https://www.fhfa.gov/PolicyProgramsResearch/Research/PaperDocuments/Market-Estimates_2018-2020.pdf.

benchmarks. Freddie Mac continues to support this dual approach of measuring housing goal performance for the Enterprises.

(b) Single-Family Market Challenges

FHFA's affordable housing goals-setting and the Enterprises' efforts to source and fund goal-qualifying mortgages must be balanced with safety and soundness considerations that appropriately account for credit risk and promote sustainable lending. Freddie Mac does not necessarily compete as aggressively as banking institutions for certain affordable loans, while at the same time affordable housing shortages and declining loan volumes overall have made it more difficult for banks to originate enough mortgages to meet their own Community Reinvestment Act (CRA) obligations.[8] Unlike Freddie Mac which has an obligation to provide access to credit on a national scale, for CRA purposes banks are geographically targeted to a limited set of loans for a specific purpose.[9] Given this limited focus, banks can use price concessions as a lever to fill their gap required loans. In addition, unlike the Enterprises specific charter requirements,[10] banks do not always require credit enhancement above 80% LTV (e.g. mortgage insurance) and thus may acquire certain affordable loans not otherwise eligible for purchase by the Enterprises.

In sum, banks are becoming more active with their efforts to meet their CRA requirements and considering Freddie Mac's limited ability to compete on price or match credit enhancement terms, it is becoming exceedingly difficult to compete with them for affordable loans.

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[8] *See* e.g. Bonnie Sinnock, *CRA Compliance Gets Pricey as Mortgage Market Tightens*, National Mortgage News, August 1, 2017, available at https://www.nationalmortgagenews.com/news/cra-compliance-gets-pricey-as-mortgage-market-tightens.

[9] 12 CFR §§25.22 &25. 41; The OCC CRA lending test, for example, evaluates a bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities…and a bank shall delineate one or more assessment areas within which the OCC evaluates the bank's record of helping to meet the credit needs of its community.

[10] 12 USC 1454(a)(2).

(c) Expanding the Affordable Market Segment – Introducing a Qualitative Aspect

To serve an increasingly diverse population of potential homebuyers, including first-time homebuyers and low- and moderate-income homebuyers, Freddie Mac will build upon its core single-family affordable lending and access to credit products, focusing on meeting customer and community identified needs and helping to ensure that the marketplace is aware of our affordable offerings and their effective use. We believe the best way to achieve this objective will be through innovation, products and offerings, forming new initiatives and consumer outreach. This will result in Freddie Mac achieving its primary goal of assisting first-time and underserved homebuyers. It will also help Freddie Mac meet the Enterprise housing goals now and in the future.

We believe there is substantial value provided to the residential mortgage market because of the offerings and products we bring to the market. Similarly, developing, strengthening and maintaining relationships with organizations that develop and finance housing is a critical part of our efforts to facilitate the financing of housing that is affordable to low- and moderate-income families. This strategy takes substantial time, effort and resources to implement, and lead time to market offerings can be lengthy. Currently, Freddie Mac does not realize any qualitative credit under the affordable housing goals for these significant outreach activities and cannot realize quantitative credit under the affordable housing goals until these activities result in actual loan purchases. There is no doubt these activities are important for expanding and supporting the affordable market and Freddie Mac recommends FHFA consider the inherent value of these outreach activities in tandem with goal performance.

Therefore, Freddie Mac urges FHFA to consider introducing a qualitative aspect to the affordable housing goals counting methodology, considering FHFA's emphasis on balancing the affordable housing goals with safety and soundness. This would allow the Enterprises to focus on expanding homeownership using sustainable strategies to ensure achievement of FHFA's intended objectives while avoiding unintended consequences in competing in a very active market.

III. MULTIFAMILY AFFORDABLE HOUSING GOALS

(a) Market Forces – VLI Supply Gap

A convergence of market forces is creating a significant supply gap of rental units affordable to low- and very low-income families, as the demand for such units is higher than the supply. As FHFA has acknowledged, a combination of increasing rents, stagnant household income growth, expected rising interest rates, and potential changes to demand-side (Section 8 vouchers and contracts) and supply-side (public housing and Low-Income Housing Tax Credit program) public subsidies is creating an acute shortfall of affordable units for low- and very low- income households.[11] While new rental units are flowing into the overall rental supply annually, many of these rental units are new construction or single-family home conversions, often serving higher income renters. Thus, much of the new supply of multifamily housing, if not dedicated affordable, is limited for lower-income renters seeking housing that is both affordable and meets their specific needs for location and unit size.[12]

The adverse impact of the affordable housing supply gap and the reality of increasing rents and flat incomes squeezing affordability is nowhere more evident than for very-low income families, defined for purposes of the multifamily affordable housing goals regulation as those with incomes no greater than 50% of area median income.[13] As rents continue to increase, families with lower incomes cannot afford the associated rents available in the market.

A Freddie Mac repeat financing analysis provides an opportunity to provide much-needed clarity of the magnitude of this issue. The following table is composed of the vast majority of multifamily units underlying loans financed twice[14] by Freddie Mac from 2010 through 2016, as

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[11] 82 Fed. Reg. at 31528 -31529.

[12] "America's Rental Housing: Expanding Options for Diverse and Growing Demand," Joint Center for Housing Studies of Harvard University, December 2015, available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/ch_2_rental_housing_supply_from_americas_rental_housing_2015_web.pdf.

[13] 12 CFR 1282.1.

[14] Such loans include conventional units considered for goals counting purposes utilizing property rent rolls with data available and not any units using estimation methods. The method generally includes 90% of available units in each year and excludes, for example, senior housing, student housing, and

well as the nine states where Freddie Mac has the most affordable rental units in multifamily properties financed twice during such period. The table compares how and whether the same units in these properties qualified at different levels of affordability during such period. The results are striking. At the time of the first financing, 11.2% of the total number of underlying rental units were categorized as affordable to very low-income households. During the second financing, rents increased to the point that just 4.3% of the same total underlying rental units were categorized as affordable to very low-income households.

Repeat Financing Very Low-Income Affordability Analysis

2010 - 2016

		First Financing				Second Financing			
	Units	*VLI*	*LI*	*Median*	*None*	*VLI*	*LI*	*Median*	*None*
Total	**97,061**	**11.2%**	**71.3%**	**13.3%**	**4.2%**	**4.3%**	**65.2%**	**21.0%**	**9.4%**
TX	28,533	10.2%	74.0%	13.6%	2.2%	3.2%	69.0%	23.1%	4.8%
FL	13,197	1.5%	60.2%	34.1%	4.0%	1.6%	38.7%	39.6%	20.2%
GA	9,766	11.8%	75.9%	8.7%	3.6%	2.1%	77.7%	14.8%	5.4%
CO	5,128	32.4%	67.6%	0.0%	0.0%	7.5%	82.6%	9.5%	0.4%
NC	5,061	9.8%	88.2%	2.0%	0.0%	0.3%	83.9%	15.6%	0.3%
CA	4,776	2.3%	55.6%	15.6%	26.6%	2.5%	9.8%	27.1%	60.6%
AZ	4,154	34.0%	65.5%	0.7%	0.0%	21.8%	74.5%	3.3%	0.0%
NV	3,564	15.8%	67.6%	16.4%	0.3%	4.0%	75.4%	20.1%	0.5%
WA	3,262	4.0%	86.1%	1.6%	8.3%	1.1%	81.6%	11.0%	6.3%

As evidenced in the table, the overall change in affordable very low-income units between the first financing and second financing varies greatly by state. In seven of the nine states reviewed (as highlighted), the percentage of rental units qualifying as very low-income during the second financing decreased significantly. In Colorado, for example, the percentage of rental units qualifying as very low-income fell from 32.4% to just 7.5% between financings. Similarly, in North Carolina, the percentage of rental units qualifying as very low-income fell from 9.8% to just 0.3% of the units between financings. The results described above are not the result of a

LIHTC business unit-level subsidies available after 2012, which make it more likely that subsidized units will qualify for goals.

changing population of units financed, rather these are the exact same units evaluated for affordability at two different, but close, points in time.

While the percentage of rental units qualifying as very-low income increased between financings in Florida and California, states where housing costs as a percent of income are already very stressed, the increase was very minimal (.1% in Florida and .2% in California) and the percentage of units considered very low-income in these two states continued to remain below 3% during both financings.

A different view, but strikingly similar theme, is occurring in California. Again, while the trend does not show a decrease in the percentage of rental units qualifying as very low-income, it does indicate a relatively flat trend of available units for very-low income borrowers in a state with very high housing costs generally. More critical, however, is that our analysis uncovers an even larger affordability supply problem generally, indicating a dramatic increase in rental units unaffordable to even median income renters. During the first financing, 26.6% of the rental units were not even affordable to median income renters. That percentage more than doubled to 60.6% of the rental units funded during the second financing. As stated above, these are the exact same multifamily units evaluated for affordability at two different, but close, points in time.

To substantiate that our repeat financing very low-income affordability analysis described above is representative of the broader market, we reviewed all Freddie Mac multifamily properties funded from 2010-2016 and then trended rents at such properties using vendor (Axiometrics) rent growth data. In the first table below the numbers on the diagonal are the number of units that qualify as very low-income funded in each year, using a population with consistent rules for counting affordability. Moving to the right on the off-diagonal, those same property rents are trended to each following year and tested against each respective year's very low-income threshold. For example, as shown in the highlighted numbers in the first table below, of the 17,510 underlying multifamily units that qualified as affordable to very low-income families in 2010, just 3,894 multifamily units qualified as very low-income in 2016, a drop of 77.8% (as shown in the "Total Decline" column of the second table below). The drop is bigger in this analysis because all the multifamily properties are trended across all years.

	Axiometrics Trended VLI Units							
Fund	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total Decline**
2010	17,510	13,851	11,101	6,412	4,985	5,032	3,894	-13,616
2011		27,910	23,044	13,361	9,161	9,714	7,013	-20,897
2012			43,662	27,820	20,189	21,863	16,693	-26,969
2013				39,833	30,982	30,265	25,953	-13,880
2014					34,098	33,092	25,492	-8,606
2015						66,072	51,379	-14,693
2016							59,530	

	% Change in Axiometrics Trended VLI Units							
Fund	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total Decline**
2010		-20.9%	-19.9%	-42.2%	-22.3%	0.9%	-22.6%	-77.8%
2011			-17.4%	-42.0%	-31.4%	6.0%	-27.8%	-74.9%
2012				-36.3%	-27.4%	8.3%	-23.6%	-61.8%
2013					-22.2%	-2.3%	-14.2%	-34.8%
2014						-3.0%	-23.0%	-25.2%
2015							-22.2%	-22.2%
2016								

(b) Very Low-Income Multiplier for Units Retaining Affordability

As evidenced by our analysis above, low-income and very low-income units considered affordable at a point in time may not retain such affordability in the near future given increases in rents and flat or decreasing tenant incomes.

Additionally, we have discovered that in our conventional (lacking any explicit subsidies) mortgage purchase space, for example, it is becoming increasingly difficult to source units that meet affordable housing goal requirements. Over the past several years, the loan amount per conventional unit has gone up significantly, reflecting increasing prices in the market. Because of this increase in loan amounts per very-low income unit, multifamily borrowers are incented to find a way to increase rents to improve their economics. Unfortunately, that has the counterintuitive impact of lowering the future supply of very low-income affordable units.

In 2012, Freddie Mac achieved the multifamily affordable housing goals with over 94% of the units that counted towards the very low-income category coming from conventional mortgage purchases. However, reviewing our 2016 and 2017 fundings to date, less than 40% of the very low-income units we fund now come from conventional mortgage purchases. Instead, the majority of very low-income units come from our Small Balance Loan (SBL) and Targeted Affordable Housing (TAH) mortgage purchases which are generally more expensive to originate than conventional mortgage purchases. This trend in Freddie Mac's multifamily affordable business volume shows that the SBL and TAH offerings have been effective in providing affordable housing and have been necessary tools to meet the affordable housing goals.

While we will continue to strive to source affordable multifamily mortgages in the conventional space, where there are no, or very limited, property rent restrictions, rents will continue to increase and the available supply of affordable very low-income units will steadily decrease. Therefore, Freddie Mac's continued ability to undertake and provide creative and innovative multifamily financing offerings is imperative to serving the affordable markets and individual renters facing dwindling affordable housing supply options. Thus, we would encourage FHFA to consider applying a multiplier to the number of very low-income units underlying multifamily mortgage purchases by the Enterprises, when such units remain affordable over a specified period due to documented rental restrictions. For example, if it is readily apparent that a property will remain affordable for at least 10 years there should be a multiplier of 2.0 applied to each applicable underlying very low-income unit for goals counting purposes. From our analyses described above, we can see it is unlikely for a unit that serves the very low-income market at funding to remain very low-income for even 5 years, and therefore we believe it reasonable to provide additional goals counting credit for those very low-income units that will maintain such affordability for at least a 10-year period.

IV. COUNTING RULES

(a) Manufactured Housing Communities ("MHCs")

Freddie Mac urges FHFA to treat purchases of MHC blanket loans as mortgage purchases for purposes of the multifamily housing goals. While FHFA has recently developed an MHC estimation counting methodology for its Enterprise Duty to Serve Underserved Markets ("Duty to Serve") final rule,[15] for purposes of the affordable housing goals, we suggest using an alternative counting methodology which fairly estimates the entire true monthly costs of a manufactured housing unit and determines if such costs are affordable based on low-income or very low-income affordability thresholds.

The alternative methodology would take the average monthly manufactured home site rent and, if applicable, add in the FHFA defined existing affordable housing goals standard monthly utility allowance for multifamily 2-bedroom units (currently $110),[16] plus a flat $450/unit[17] amount as an estimated adjustment factor for additional monthly tenant expenses such as housing finance costs, insurance and taxes (the "MHC Adjustment Factor"). The site rent plus utility allowance and the MHC Adjustment Factor for each manufactured unit would then be compared to the applicable 2-bedroom low-income or very low-income rent level definition set forth in Section 1282.19 of the affordable housing goals regulations to determine whether each manufactured unit is affordable under the applicable goal or subgoal. The number of manufactured homes that are at or below the applicable low-income goal or very-low income subgoal affordability percentage would then be counted in the same way any other mortgage purchase of a multifamily rental property would be counted.

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[15] 81 Fed. Reg. 96242, 96257-96259 (Dec. 29, 2016); FHFA's Duty to Serve census tract methodology for MHCs is based on median income of the census tract where the MHC is located as a proxy for affordability.

[16] 80 Fed. Reg. 53392, 53421-534322 (Sept. 3, 2015); In the 2015-2017 Enterprise Housing Goals final rule, and separately by letter, FHFA provided to the Enterprises updated nationwide average utility allowances based on recent American Housing Survey data.

[17] Analysis of our 2016 – 2017 MHC loan purchase data indicates estimated MHC Adjustment Factors between $380 and $472 per unit.

Manufactured homes are an important segment of the housing market, accounting for between 7 and 8 percent of all one- to four-family housing units.[18] Residents of manufactured homes often have lower net worth and assets than other families, with median net worth for families that live in manufactured homes of just over $26,000, or approximately half that of other families.[19] Manufactured housing is more prevalent in rural communities in the United States where such housing is one of, or perhaps the only, form of affordable and easily accessible housing options available for many low-income and very low-income families.[20] Manufactured housing serves exactly those populations intended to be targeted by the affordable housing goals.

Manufactured homes may be placed on individual land plots that are owned by the manufactured-home owner, or the homes may be placed on rented land, including on leased lots within manufactured home communities. MHCs generally require a homeowner or renter to pay ground rent, which may include fees for shared amenities, services, and utilities. Historically, around 25–30% of manufactured homes have been placed within manufactured housing communities, though the share of new homes placed in communities has grown in recent years.[21] Freddie Mac purchased its first MHC loan in October 2014, and since then, it has provided $2.1 billion in MHC financing, making housing available for more than 53,000 families in more than 265 MHCs across 31 states.

As part of FHFA's 2015 – 2017 Enterprise Housing Goals proposed rule, FHFA requested comment on whether it should change its policy excluding from goals credit MHC blanket

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[18] *Mortgage Market Conditions and Borrower Outcomes: Evidence from the 2012 HMDA Data And Matched HMDA–Credit Record Data,* Federal Reserve Bulletin, Vol. 99, No. 4, (Nov. 2013), available at http://www.federalreserve.gov/pubs/bulletin/2013/pdf/2012_HMDA.pdf, citing the 2011 American Housing Survey, available at www.census.gov/housing/ahs/data/national.html.

[19] *Manufactured housing Consumer Finance in the United States,* Consumer Financial Protection Bureau (Sept. 2014), *available at* http://files.consumerfinance.gov/f/201409_cfpb_report_manufactured-housing.pdf, p. 17.

[20] *Id.* at 11. About two-thirds of all occupied manufactured homes in the U.S. are located outside of metropolitan statistical areas (MSAs), and 14% of homes in non-MSA counties are manufactured homes.

[21] *Id.* at 9.

loans, and, if changed, how such MHC blanket loans should be treated.[22] At the time, Freddie Mac suggested that the affordable housing goal regulations should allow blanket loans on MHCs to be counted for purposes of the multifamily housing goals, and that using the rents for the homesites in an MHC is the most effective method of counting the number of affordable dwelling units supported by that financing. In the 2015 – 2017 Enterprise Housing Goals final rule, FHFA declined to revise the then affordable housing goals related to MHCs and maintained its existing guidance that blanket loans on MHCs are excluded from counting under the multifamily housing goals.[23]

As mentioned above, subsequent to the 2015-2017 final rule, FHFA developed an estimation methodology to determine the affordability of MHCs depending on the type of MHC for purposes of Duty to Serve.[24] Additionally, at least since 2015, FHFA has specifically excluded new MHC blanket loans from FHFA's annual new multifamily business volume cap set forth in its annual Scorecard for Freddie Mac and Fannie Mae.[25]

In recognition of FHFA's continued focus on manufactured housing over the past several years, Freddie Mac believes the time is ripe for the 2018-2020 affordable housing goals regulations to treat MHC blanket loans as mortgage purchases for purposes of the multifamily housing goals. While the Duty to Serve estimation counting methodology is potentially easier to implement, it is too dependent on the MHC location rather than the MHC's true affordable nature. In the alternative, the MHC Adjustment Factor methodology provides a property specific estimation approach to determining affordability. Therefore, at least for purpose of the affordable housing goals, we believe it is more accurate than the Duty to Serve estimation counting methodology as Freddie Mac has access to actual property level rent that can be utilized to determine a manufactured housing unit's affordable nature.

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[22] 79 Fed. Reg. 54482, 54502-54503 (Sept. 11, 2014).
[23] 80 Fed. Reg. at 53429.
[24] *See supra* n. 15.
[25] *FHFA's 2017 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions*, Dec. 15, 2016, available at https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2017-Scorecard-for-Fannie-Mae-Freddie-Mac-and-CSS.pdf.

In sum, the Enterprises should be permitted to count blanket loans on MHCs toward the multifamily affordable housing goals, and we proffer the MHC Adjustment Factor methodology described herein as the best methodology to capture what Freddie Mac estimates to be the entire true monthly costs of owning a manufactured home in a subject MHC. Additionally, we propose the following definition for MHCs, which is the same definition FHFA has previously considered,[26] however, we recommend that FHFA specifically use the term "manufactured housing community," rather than "manufactured housing park":

> *Manufactured Housing Community* means a tract of land under unified ownership developed for the purpose of providing individual rental spaces for the placement of manufactured homes within its boundaries.

(b) Seniors Housing with Services – Medicaid Eligibility as a Proxy for Income

Freddie Mac urges FHFA to permit the Enterprises to rely on the receipt of Medicaid health care coverage (due to income level) as a federal and state government means-tested proxy for determining whether a seniors housing unit that also includes services in the monthly rent is eligible for counting towards the multifamily housing goals.

Currently, because of the difficulty in parsing housing expenses and non-housing related expenses, a seniors housing unit for which additional services are included in the monthly rent are treated as units with missing data or information. Units with missing data or information are subject to the affordable housing goals estimation method to determine affordability,[27] which we believe significantly undercounts affordable seniors housing units.

Under federal law Medicaid health care coverage is generally available to seniors under age 65 whose income is at or below 133% of the federal poverty level for their applicable family size. Medicaid is also available to low-income seniors 65 and older on a needs basis. Medicaid plays

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[26] 79 Fed. Reg. at 54503.
[27] 12 CFR 1282.15(e)(2).

a critical role in financing the care of low-income households for residents aged 65 and over. To qualify for this support, individuals must spend down or otherwise dispose of their assets.

Freddie Mac suggests that in a scenario where a seniors housing tenant receives (or is eligible to receive) Medicaid health care coverage due to their income level, the maximum allowable income levels permitted for an individual to receive Medicaid coverage should be used as a means tested proxy for the senior's income. Instead of relying on estimation – a method that we believe significantly undercounts affordable seniors units – the maximum allowable Medicaid income levels would be used to determine whether the senior recipient's income is less than 80% or 50% of the area median income for purposes of the multifamily low-income housing goal or very low-income housing subgoal. To implement this determination of affordability, Freddie Mac anticipates that we would use yearly federal poverty levels and applicable state Medicaid program requirements as a data indicator to determine whether each person in a seniors property receives or is eligible to receive Medicaid.[28]

Freddie Mac acknowledges the existing multifamily affordable housing goals regulatory requirement is to use rents, rather than income or income proxy, to determine affordability.[29] However, we believe a seniors housing individual receiving or eligible to receive Medicaid based on a specific government means tested formula predicated on significant financial need is indicative of an individual who would otherwise require decent and safe affordable housing. Therefore, we encourage FHFA to permit the Enterprises to use Medicaid eligibility as an income proxy for affordability.

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[28] For individual seniors for example, Freddie Mac could rely on the annual Department of Health and Human Services issued poverty guidelines which limit income for 1 person households of no more than $12,060 per year (100% of the Federal Poverty Level) for the 48 contiguous states and the District of Columbia, $15,060 per year for Alaska, and $13, 860 per year for Hawaii. *See* https://aspe.hhs.gov/poverty-guidelines.

[29] 12 CFR 1282.15(d).

CONCLUSION

Freddie Mac appreciates the opportunity to comment on this important rulemaking. We look forward to continuing our role in ensuring the liquidity, stability and affordability of the U.S. mortgage markets.