



January 31, 2019

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency, Eighth Floor
400 7th Street SW
Washington, DC 20219

Attention: Federal Home Loan Bank Housing Goal Amendments, RIN 2590-AA82

Dear Mr. Pollard:

On behalf of the state Housing Finance Agencies (HFAs) it represents, the National Council of State Housing Agencies (NCSHA)¹ appreciates the opportunity to respond to the Federal Housing Finance Agency's (FHFA) October 29, 2018 proposed rule to amend the affordable housing goals for the Federal Home Loan Banks (FHLBs).

NCSHA supports the overall approach taken in the proposed rule, which we believe revises the affordable housing goals to better reflect the role the FHLBs play in the current housing market. We respond below to several aspects of the proposed rule, including questions posed by FHFA, with our thoughts and recommendations.

Include HFAs in Small Member Participation Goals

7) Is the small member participation housing goal an effective way to encourage access to mortgage credit in rural communities or places of persistent poverty, or would other approaches be more effective?

8) Should FHFA consider an alternative level (other than the community financial institutions threshold, currently \$1.173 billion) for defining "small member?"

NCSHA supports the proposed rule's approach to increasing small FHLB member participation in each FHLB's Acquired Mortgage Asset Program (AMA). The new standard would require that at least 50 percent of participants in an FHLB's AMA each year be small FHLB members (currently those with assets at or below \$1.173 billion). As FHFA notes, smaller

¹ NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

community banks are a significant source of lending for rural areas and other underserved communities and populations. The small member participation goals will help to ensure that the FHLBs' AMA programs support homeownership opportunities for low- and moderate-income borrowers.

To further strengthen this proposal, we suggest that the goal be amended to include state HFAs in the definition of "small member."

FHFA has long recognized the important role that HFAs play in supporting affordable housing opportunities. HFAs have a strong track record of responsibly financing mortgage lending to underserved borrowers. In recent years, FHFA has sought to take advantage of HFAs' expertise and directed Fannie Mae and Freddie Mac to develop partnerships with HFAs.

Amending the small member participation goal to include state HFAs will incentivize further FHLB-HFA partnerships. As non-member housing associates, HFAs are eligible to sell loans to the FHLBs through their AMA programs. However, while some FHLBs currently enjoy productive relationships with HFAs, others have not worked effectively with HFAs. This prevents some state HFAs from accessing a valuable source of funding for their affordable housing programs, and also denies some FHLBs the opportunity to partner with proven entities that can extend their reach and be strong allies in their efforts to address unmet affordable housing needs.

Responses to Other Questions

- 1) *Is a prospective mortgage purchase housing goal measured as a percentage of each Bank's AMA purchases the optimal way to meaningfully and achievably encourage affordable home mortgage purchases? If not, what other options would more likely result in attainment of that goal? Why?*

NCSHA agrees with FHFA that the FHLBs' mortgage purchase targets should be set in advance each year, instead of retroactively as they are currently. Prospective goals will allow the FHLBs to plan accordingly to ensure that they are meeting the goals and will spur the FHLBs to increase their purchases of goal-eligible loans should they fall behind.

- 2) *Is 20 percent the appropriate level? Why or why not? Please provide quantitative analysis to support your position when possible.*

NCSHA appreciates FHFA's goal to simplify the affordable housing goal requirements for the FHLBs. However, we feel that a uniform home purchase goal for all 11 FHLBs is not appropriate given varying needs of each FHLB district. Further, as FHFA outlines in the proposed rule, several FHLBs have already exceeded the 20 percent threshold in recent years. Establishing a 20 percent goal level could actually cause those banks to lower their purchase of mortgage loans for low- and moderate-income borrowers.

NCSHA recommends that each FHLB be assigned individual goals each year that reflect their markets and that such goals be set at a level that encourages each FHLB to play a leading role in supporting mortgage lending to low-and moderate-income borrowers in its jurisdiction.

- 3) *Is a single percentage goal that includes purchase and refinance loans to low- income borrowers, very low-income borrowers, and families in low-income areas an appropriate mechanism? Why or why not?*

All four single-family home purchase subgoals serve important priorities. That being said, NCSHA recognizes that, in contrast to Fannie Mae and Freddie Mac, the FHLBs' AMA programs are much more limited in scope and resources. This makes it more difficult for the FHLBs to develop products and/or programs designed to each and every subgoal separately. In addition, unlike Fannie Mae and Freddie Mac, the FHLBs operate on a regional level, and each FHLB's jurisdiction has different housing needs. Thus, NCSHA believes that establishing a single percentage goal that includes loans meeting any one of the four affordable housing subgoals is appropriate.

- 4) *Is the 25 percent cap on AMA mortgages to higher-income borrowers in low- income areas that count towards the goal the appropriate level? Why or why not? Please provide quantitative analysis to support your position when possible.*

NCSHA supports the proposed 25 percent cap on the amount of AMA mortgages to higher income borrowers in low-income areas that count towards the affordable housing goals. The proposed cap is set at a level sufficient enough to ensure that AMA programs continue to support homeownership lending to low- and moderate-income borrowers while not neglecting the need to support homeownership opportunities in underserved communities.

Eliminate the Volume Threshold for the Affordable Housing Goals

NCSHA commends FHFA for proposing to eliminate the threshold that exempts from the affordable housing goals FHLBs that purchase less than \$2.5 billion in mortgage loans through their AMA programs. This threshold has effectively exempted most FHLBs from the affordable housing goals requirements and served as a de facto upper limit on FHLBs' AMA purchases. Removing the threshold will require more FHLBs to serve their public purpose to foster liquidity in all areas of the housing market.

Thank you for your consideration of our comments. Please do not hesitate to contact me if we can provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Garth Rieman

Director of Housing Advocacy and Strategic Initiatives