MORTGAGE BANKERS ASSOCIATION

February 23, 2021

The Honorable Mark Calabria
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

RE: Enterprise Housing Goals

Dear Director Calabria:

The Mortgage Bankers Association (MBA)[1] thanks the Federal Housing Finance Agency (FHFA) for the opportunity to comment on the advance notice of proposed rulemaking (ANPR) pertaining to the housing goals for Fannie Mae and Freddie Mac (the Enterprises).[2] The Enterprises are required by statute to promote access to mortgage credit throughout the nation and provide assistance to the secondary market to support housing for low- and moderate-income families, and the housing goals are an important component of the framework by which FHFA can measure the Enterprises' progress.[3]

MBA strongly supports a dynamic, market-based approach to the Enterprise housing goals that focuses on outcomes. While the current Enterprise housing goals do orient the Enterprises' business activities towards low-income and very low-income households, they should continue to be balanced with and accompany other affordable housing tools. The most effective goals will be those that include both specific, quantitative targets and qualitative efforts such as outreach, research, and other initiatives. These differing types of goals should be pursued in tandem and should complement each other.

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[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 330,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 1,700 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

[2] FHFA, "Enterprise Housing Goals," 85 Fed Reg. 82965 (Dec. 21, 2020). Available at: https://www.federalregister.gov/documents/2020/12/21/2020-28084/enterprise-housing-goals.

[3] 12 U.S.C. § 4561(a); 12 C.F.R. part 1282.

The Enterprises historically have worked to fulfill their public missions through housing goals that mandated a particular ratio of loans purchased by the Enterprises be made to very low- and low-income borrowers, to borrowers in low-income areas, or to multifamily property owners serving these communities. These goals are accompanied by two other critically important efforts to support affordable housing: "duty to serve" requirements that ensure the Enterprises serve markets for rural homes, affordable housing preservation, and manufactured housing; and affordable housing allocations by the Enterprises to the Housing Trust Fund and the Capital Magnet Fund. On the multifamily side, these goals are also accompanied by the "mission driven" component of the multifamily conservatorship caps, and the "mission driven" component of the multifamily provision of the amended Preferred Stock Purchase Agreements (PSPAs). Consistent with the focus of the questions posed in the ANPR, this comment focuses on the single-family affordable housing goals.

As FHFA considers possible future changes to the affordable housing goals, MBA recommends FHFA add qualitative goals to supplement – not replace – the current single-family quantitative goals. The Enterprises should engage in projects like outreach campaigns and analytical research initiatives to better overcome barriers to affordable housing. This combination of quantitative, market-based targets enriched by qualitative, activity-based targets provides a more holistic approach to the housing goals.

FHFA should be empowered to choose a combination of mechanisms to best achieve the Enterprises' affordable-housing missions, within the parameters set by statute. Flexibility will be especially important as reform efforts continue to reshape the structure and activities of the Enterprises, but dynamic housing goals should be a core element of FHFA's oversight of the Enterprises.

With respect to questions regarding whether further categories of loans should be excluded from receiving credit towards the housing goals, MBA believes that loans should not be excluded because of particular credit or underwriting features (*e.g.*, loan-to-value ratios or debt-to-income ratios). If a loan is deemed acceptable for purchase by the Enterprises, it should meet any safety and soundness standards or borrower sustainability standards related to the housing goals. Additionally, the amended PSPAs now limit risk-layering in Enterprise-eligible loans, further suggesting that a loan which meets eligibility standards should meet housing goal standards.

As FHFA considers new frameworks for the Enterprise housing goals, MBA more broadly recommends that the Enterprise housing goals be guided by the following principles:

1. **Transparent and well defined.** Quantitative targets should be specified as a number, percentage, or range within a demographic, geographic, or income-based cohort. Qualitative targets should be assessed or graded according to established criteria that consider activities in combination with desired outcomes.
2. **Assessed in terms of market impact.** Success ultimately should be based on concrete evidence about performance in certain markets, not merely on the level of resources committed or activites conducted. FHFA should focus on results that actually make a difference. At the same time, any goals should be based on market needs and circumstances, with realistic benchmarks.
3. **Measurable.** Clear metrics should allow for FHFA to evaluate performance against the affordable-housing objectives. These assessments should continue to be made available in public reports.
4. **Enforceable.** Failure to meet established goals should carry appropriate consequences. All significant failures should require remediation plans submitted by the Enterprises to FHFA for review and approval.
5. **Recalibrated periodically.** FHFA should provide for formal, periodic opportunities for public input on potential refinements and adjustments to the goals. The timing of such input should be consistent with a schedule that allows FHFA to consider it fully before taking action. Any refinements and adjustments to the goals should be supported by research and data analysis.
6. **Reviewed to avoid market distortions.** FHFA, in seeking to set or adjust the goals, should attempt to ensure that all goals are realistic, aligned with market circumstances, and do not inadvertently distort behavior or incentives. Consistent with sound risk-management practices, the Enterprises should have the flexibility to price credit risk in a way that provides a reasonable cross-subsidy to support segments of the mortgage market that are currently underserved.
7. **Balanced by safety and soundness.** FHFA should ensure that the affordable-housing obligations of the Enterprises are balanced by prudent risk-management practices.

MBA appreciates FHFA's consideration of our comments regarding the Enterprise housing goals and the broader objective of promoting liquidity to support affordable housing. We look forward to our ongoing efforts and collaboration with FHFA and the Enterprises on these important matters.

Should you have questions or wish to discuss these comments, please contact Hanna Pitz at (202) 557-2796 and hpitz@mba.org.

Sincerely,

Pete Mills
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Residential Policy and Member Engagement
Mortgage Bankers Association