Housing Finance and Regulatory Affairs
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Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
8th Floor
400 7th Street, SW
Washington, DC 20219

RE: Enterprise Housing Goals (RIN 2590-AB12)

Submitted by Electronic Delivery: RegComments@fhfa.gov

Dear Mr. Pollard:

On behalf of the National Association of Home Builders (NAHB), I appreciate the opportunity to provide comments in response to the Advance Notice of Proposed Rulemaking (ANPR); Enterprise Housing Goals. The housing goals mandate of Fannie Mae and Freddie Mac (the Enterprises) is an important tool for supporting their affordable housing mission and responding to affordable housing needs across the nation. We welcome this current ANPR, which allows stakeholders, including NAHB, to recommend revisions to the housing goals for 2022 beyond the consideration of proposed benchmark goal levels for the Enterprises' purchase of single-family and multifamily loans.

NAHB is a Washington DC-based trade association representing more than 140,000 members involved in all aspects of the development and construction of for-sale single-family homes, including homes for first-time and LMI home buyers, as well as the production and management of affordable rental housing. The ability of the home building industry to address affordable housing needs is dependent on a housing finance system that facilitates access to mortgage credit for single-family and multifamily housing in all geographic locations in all economic conditions.

Background

The Housing and Economic Recovery Act of 2008 (HERA) amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act) to require the Federal Housing Finance Agency (FHFA) to establish, monitor and enforce annual housing goals for the Enterprises effective for 2010 and each year thereafter. Since 2010, the housing goals have included four goals and one subgoal for single-family owner-occupied housing. In 2010, the housing goals for multifamily housing included one goal and one subgoal. Effective with the 2015 goals, an additional subgoal was added for multifamily housing to measure units affordable to families with incomes no greater than 80 percent of area medium income (AMI) in small multifamily rental properties (5 to 50 units). The current goals are as follows:

Single-Family Goals (set as a percentage of mortgage loans purchased by each Enterprise):

- Low-Income Home Purchase: Home purchase mortgage loans on owner-occupied single-family homes to borrowers with income no greater than 80 percent of AMI

- Very Low-Income Home Purchase: Home purchase mortgage loans on owner-occupied single-family homes to borrowers with incomes no greater than 50 percent of AMI
- Low-Income Areas Home Purchase Subgoal: Home purchase mortgage loans on owner-occupied single-family homes to:
    - Borrowers in census tracts with median income no greater than 80 percent of AMI
    - Borrowers with incomes up to 100 percent of AMI in census tracts with tract median income less than 100 percent of AMI and minorities are at least 30 percent of census tract population
- Disaster Areas Increment to the Low-Income Areas Home Purchase Subgoal: Home purchase mortgage loans on owner-occupied single-family homes to moderate-income borrowers (income no greater than 100 percent of AMI) in designated disaster areas
- Low-Income Refinancing Goal: Refinancing mortgage loans on owner-occupied single-family properties to borrowers with incomes no greater than 80 percent of AMI

Multifamily Goals (set as a number of units purchased by each Enterprise):
- Low-Income Goal: Units affordable to families with incomes no greater than 80 percent of AMI in multifamily rental properties with mortgages purchased by an Enterprise
- Very Low-Income Subgoal: Units affordable to families with incomes no greater than 50 percent of AMI in multifamily rental properties with mortgages purchased by an Enterprise
- Low-Income Small Multifamily Subgoal: Units affordable to families with incomes no greater than 80 percent of AMI in small multifamily rental properties (5 to 50 units) with mortgages purchased by an Enterprise

As required by the Safety and Soundness Act, FHFA determines affordability of multifamily units based on a unit's rent and utility expenses not exceeding 30 percent of the AMI standard for low- and very low-income families.

NAHB Comments

Recommended Additional Housing Goal for Workforce Housing

NAHB urges FHFA to add a single-family and multifamily housing goal for the purchase of mortgage loans that support workforce housing. We recommend FHFA give goals credit to the Enterprises for home purchase mortgage loans on owner-occupied single-family homes to moderate-income borrowers with incomes between 60 percent and 120 percent of AMI and for purchase mortgage loans on multifamily rental properties with a prescribed number of rental units affordable to moderate-income families. Workforce housing is commonly defined as housing affordable to borrowers in this income category and the supply of housing available to this group is not adequate. Though borrowers with incomes up to 80 percent of AMI already are included in some of the current goals, the common definition of workforce housing uses incomes between 60 percent and 120 percent of AMI.

It is known that many teachers, firefighters, police officers, and other professionals cannot afford to live in the neighborhoods they serve. NAHB believes an additional housing goal focused on homeownership for the workforce falls within the public mission of the Enterprises to provide access to mortgage credit for low- and moderate-income families and traditionally underserved home buyers.

Low-Income Areas Home Purchase Subgoal

In the ANPR, FHFA asks if it should consider modifying the Low-Income Areas Home Purchase Subgoal to address concerns that it promotes displacement of residents from certain communities. Mortgage loans acquired by the Enterprises qualify for the low-income areas subgoal regardless of a borrower's income as long as the mortgage loans are originated for a borrower whose home is in a census tract in which the median income in the tract is no greater than 80 percent of AMI.

NAHB addressed a similar question in our March 31, 2020 response to the Joint Notice of Proposed Rulemaking (NPR) issued by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) regarding Community Reinvestment Act (CRA) Regulations. We said banking institutions subject to CRA regulations should receive appropriate CRA credit for all mortgage loans made to borrowers in LMI census tracks in a bank's assessment area regardless of the borrower's income level, noting that home mortgage loans to higher-income borrowers support neighborhoods. In its final revised CRA rule, OCC agreed and noted that encouraging all mortgage and consumer lending in LMI communities can help the economic development of LMI communities.

NAHB recommends the low-income areas home purchase subgoal remain as it is currently and not limit the income of borrowers in census tracts with median income no greater than 80 percent of AMI. NAHB believes there are benefits to socioeconomic diversity. For example, higher income homeowners grow the tax base in a community and may increase the potential for additional services available to the entire community.

In light of the concerns about displacement and gentrification related to allowing mortgages to borrowers of all income levels to qualify for this subgoal, NAHB appreciates that the agency has taken a conservative approach to setting the benchmark level for the subgoal. Attempts to avoid gentrification could have the unintended consequence of limiting opportunities for communities to grow and flourish.

Conclusion

Thank you for your consideration of NAHB's recommendations. For more information, please contact Rebecca Froass, Director of Financial Institutions and Capital Markets at rfroass@nahb.org.

Sincerely,

David L. Ledford

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