NATIONAL ASSOCIATION OF REALTORS®

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The Honorable Mark Calabria
Director
Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, D.C. 20219

Dear Director Calabria:

On behalf of the 1.4 million members of the National Association of REALTORS® (NAR), I submit this letter in response to the notice of proposed rulemaking (proposed rule), *Enterprise Housing Goals* (RIN-2590-AB12). NAR appreciates the efforts by the FHFA to revisit the construct of the housing goals. The housing goals are a critical component of the Enterprises' ability to carry out their critical congressionally-chartered mission to support underserved markets.

The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,200 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock, along with its availability to the widest range of potential homebuyers.

Homeownership is a central part of the fabric of the American dream and the Enterprises play an important role in helping achieve that dream. The Enterprises' congressionally-mandated mission of providing liquidity to real estate investment in underserved markets is a critical piece of the U.S. mortgage finance system. Homeownership for some communities lags the national average and more work must be done to identify the root causes of this trend and to create a framework that enables underserved communities to achieve sustainable homeownership. Housing goals provide a ready and waiting open door for those ready to step through it.

Statutory Requirement of Housing Goals

The Housing and Economic Recovery Act of 2008 (HERA) transferred the authority to establish, monitor, and enforce the GSE affordable housing goals from HUD to FHFA. HERA requires FHFA to establish three single-family owner-occupied purchase money goals and a single-family refinancing mortgage goal. The single-family goals are for low-income families (incomes at or below 80% of area median income (AMI)), families that reside in low-income areas as defined in the rule, very low-income families (incomes at or below 50% of AMI), and refinancing mortgages for low-income families. It also requires FHFA to establish a multifamily special affordable housing goal for low-income families and a subgoal for very low-income families.

HERA requires FHFA to consider seven factors in establishing the single-family goals: (1) national housing needs; (2) economic, housing and demographic conditions; (3) the performance and effort of the GSEs toward achieving goals in previous years; (4) the ability of the enterprises to lead the industry in making mortgage credit available; (5) other reliable mortgage data; (6) market size; and (7) the financial condition of the GSEs. For purposes of establishing multifamily special affordable housing goals, HERA established six factors: (1) national multifamily mortgage credit needs; (2) past performance of the GSEs; (3) the size of the multifamily market; (4) the ability of the GSEs to lead the market; (5) the availability of public subsidies; and, (6) the financial condition of the GSEs.

Revisiting Housing Goals

NAR previously commented on proposed housing goals for 2009 through 2011 and supported FHFA's effort to design goals in a way that avoids the problems that were caused, in part, by the excessively high 2004-2008 goals. NAR's comments on the 2012-2014 goals recommended that FHFA reconsider the reduction in goals based on our more positive assessment of housing market conditions. Though FHFA chose to reduce the low-income goals to 23 % for 2012-2014, this benchmark level proved to be lower than the overall market in each year, significantly so in 2012. Finally, in response to the proposed goals for 2015 through 2017, NAR recommended that the FHFA critically examine what policies, both at the GSEs and at their lender customers, which were resulting in market dynamics that contribute to the then declining forecast for eligible borrowers. NAR pointed to potential weight from rising LLPAs and guarantee fees, weak consumer demand, and lender overlays as points worthy of investigation.

As in our earlier comments on GSE goals, NAR continues to support ambitious, but reasonable, affordable housing goals for the GSEs that are consistent with sustainable homeownership. NAR believes the FHFA should not compromise safe and sound lending standards in order for the GSEs to support fair and affordable mortgages to a full range of qualified families in the market. To this end, only mortgages that meet the rebuttable presumption of the compliance with the qualified mortgage rule should be eligible for housing goals. As NAR noted in its comment letter to the CFPB on the finale qualified mortgage rule, the proposed rule uses loan pricing to define compliance with safe harbor and rebuttable presumption of compliance with the qualified mortgage rule as well as non-compliance.[1] Unfortunately, the pricing measure incorporates lenders' perception of market risks as well as their own cost of funding, neither of which reflect the borrower's risk. Therefore, during a period of stress, a borrower may pose no more risk to the GSEs, but their pricing may rise, pushing them from the safe harbor into the rebuttable presumption. Ideally the measurement issue would be dealt with, but until it is resolved, the FHFA should include rebuttable presumption loans in the housing goals. Compliance with the qualified mortgage rule should satisfy the statute's provisions for limiting "unacceptable business and lending practices."

The ANPR also asks if there are ways to determine whether the low-income areas home purchase subgoal has resulted in the displacement of residents from certain communities, or to measure the extent of any such displacement. If so, whether the FHFA should consider modifying the low-income areas home purchase subgoal to address such concerns? NAR supports access to credit in all markets and at all times for well underwritten borrowers. Thus, NAR supports reforms that maintain the original intent of the goals, which is to ensure that credit worthy borrowers in underserved communities have access to purchase money mortgage credit. This ANPR notes examples of the GSEs receiving credit for meeting the housing goals through borrowers who meet no other standard than that they reside in an area low income area. To the extent that this measure gives credit to the GSEs for serving borrowers that do not fit the ideal of the affordable housing goals, then the measure should be changed. Given the rich data that the GSEs collect in underwriting on income, reserves, credit score, and down payment, much of which is now made public as part of the GSEs efforts on credit risk transfer, the FHFA should sharpen its statistical measure to ensure that the GSEs receive housing goals credit for meeting the needs of underserved populations in underserved communities.

[1] *See* [NAR Letter to CFPB Director Kraninger In Response to NPRM on QM Rule](#).

Conclusion

Thank you for your time and contributions to this important topic. NAR appreciates the opportunity to comment on housing goals and looks forward to working with the FHFA to reshape the Enterprises' goals to continue its robust housing mission. If you have any questions, please contact Ken Fears, NAR's Senior Policy Representative for Conventional Finance and Lending Policy, at 202.383.1066 or KFears@Nar.Realtor.

Sincerely,

Charlie Oppler
2021 President, National Association of REALTORS®