NCSHA
National Council of State Housing Agencies

October 25, 2021

Sandra Thompson
Acting Director
Federal Housing Finance Agency
400 Seventh Street SW
10th Floor
Washington D.C. 20219

RE: Enterprise Housing Goals (RIN 2590-AB12)

Dear Ms. Thompson:

The National Council of State Housing Agencies (NCSHA),[1] on behalf of the nation's state housing finance agencies (HFAs), is pleased to submit comments on the Federal Housing Finance Agency's (FHFA) proposed affordable housing goals for the government-sponsored enterprises (Enterprises) Fannie Mae and Freddie Mac.

We commend you for proposing to increase the Enterprises' affordable housing goals, both single-family and multifamily, which will incentive Fannie Mae and Freddie Mac to marshal their considerable resources and market presence to address our nation's affordable housing crisis. NCSHA also supports FHFA's proposal to establish a new subgoal for homes located in minority census tracts, the type of concrete action needed to build a more equitable housing finance market.

We would also like to thank FHFA for a series of other actions it has taken recent months to increase Enterprise support for affordable housing. These include the requirements that the Enterprises each develop and implement equitable housing plans – on which NCSHA will submit separate comments -- suspending provisions of the Enterprises' Preferred Stock Purchase Agreements (PSPAs) that limited the Enterprises' support for affordable lending, increasing the cap on Enterprise investments in Low-Income Housing Tax Credits, and increasing the cap on Enterprise multifamily business for 2022. These actions and stronger affordable housing goals are vital at this time when our nation faces a severe affordable housing crisis.

[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.

Finalize Enhanced Single-Family and Multifamily Goals

NCSHA strongly agrees with FHFA's recommendation to substantially increase the Enterprises' purchase goal for low-income homebuyers (those earning 80 percent of area median income or below) from 24 percent to 28 percent of total loan purchases and to increase each of the single-family subgoals. As FHFA notes in the proposed rule, the increased goal levels will "encourage the Enterprises to continue to find ways to support lower income borrowers without compromising safe and sound lending standards." In today's market, with many working families struggling to purchase a home due to a lack of supply and difficulty securing affordable credit, it is critical that the Enterprises use their market influence and leadership to fulfill their affordable housing missions. We urge FHFA to finalize the goals outlined in the proposed rule.

We also enthusiastically support the proposed increase in the multifamily low-income goals as well as the multifamily subgoals for units affordable to very low-income tenants and for units in small multifamily properties (those with between 5-50 units). As FHFA notes, the Enterprises have consistently exceeded all their multifamily goals and subgoals in recent years, sometimes significantly, suggesting that past goals have been too low to fully incent innovation in this space. The new goals will prompt the Enterprises to explore new ways to support financing for affordable multifamily housing.

Maintain Proposed Subgoal for Homeownership Lending in Minority Census Tracts

FHFA proposes to establish a new single-family subgoal for the Enterprises that will require that at least ten percent of the loans each Enterprise purchases each year be for borrowers earning 100 percent of AMI or below who purchase homes located in "minority census tracts" (defined as those tracts that have a minority population of at least 30 percent and a median family income of less than 100 percent of AMI). The proposal would separate this new subgoal from the Low-Income Areas Subgoal, which historically has given the Enterprises credit for homes purchased in minority census tracts as well as other low-income areas, but which FHFA feels has proven inadequate for promoting lending in minority communities.

NCSHA supports the new Minority Census Tracts Home Purchase Subgoal and urges that it be included in the final rule. As FHFA is aware, the time is now to take action to increase homeownership opportunities for minority households and increase equity in housing finance.

One specific step both Enterprises could take to meet the new proposed subgoal, which NCSHA details further in our comments on the Enterprise equitable finance plans, is to restore the pricing and other advantages of their HFA-specific products. Over the past decade, the Enterprises have offered special products for loans originated through HFA programs. The products, HFA Preferred for Fannie Mae and HFA Advantage for Freddie Mac, include substantial pricing discounts, most notably the waiving of loan-level pricing adjustments (LLPAs). In addition, the products allow borrowers to purchase the "charter minimum" level of private mortgage insurance (PMI) of 18 percent, saving homeowners thousands of dollars in total insurance payments.

The HFA products have been a resounding success in helping the HFAs and Enterprises carry out their affordable housing missions. Since Fannie Mae first launched its product in 2011 (Freddie Mac introduced its product in 2015), HFAs have utilized them to help more than 250,000 households, including many people of color, purchase a home. The loans' strong performance was instrumental in FHFA allowing the Enterprises to expand their affordable, high loan-to-value (LTV) lending options, including Fannie Mae HomeReady and Freddie Mac Home Possible.

Unfortunately, in 2019, to comply with FHFA's then-proposed Enterprise capital standards, Fannie Mae and Freddie Mac eliminated the pricing advantages for their HFA products for all loans to borrowers above 80 percent of AMI. They also increased the PMI coverage requirements for such borrowers. These changes have greatly hindered HFAs' ability to use the products to help working families buy a home. The changes have been especially impactful for moderate- and middle-income minority households, who, while earning above 80 percent of AMI, often don't have the same access to financial assistance from family or other resources to help pay for a down payment.

While it is perhaps too soon to detect the impact of the changes, two-thirds of HFAs estimated in 2019 that the product changes would reduce the amount of program loans they could deliver to minority homebuyers.

Reestablishing the pricing and PMI advantages for more Enterprise HFA product borrowers is an easy and efficient way to unleash HFAs' potential as partners in improving equity in homeownership lending. In a recent NCSHA survey, four-in-five HFAs said expanding the pricing advantage and charter level PMI for more HFA Preferred borrowers would increase their ability to serve more homebuyers of color.

Thank you for taking the time to read our recommendations. Feel free to reach out to me to discuss this further at any time.

Sincerely,

Garth B Rieman

Garth Rieman
Director of Housing Advocacy and Strategic Initiatives