



October 17, 2022

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

RE: 2023-2024 Enterprise Multifamily Housing Goals; RIN 2590-AB21

Dear Director Thompson:

The National Council of State Housing Agencies (NCSHA),¹ on behalf of the nation's state housing finance agencies (HFAs), thanks you for the opportunity to comment on the Federal Housing Finance Agency's (FHFA) proposed multifamily affordable housing goals for the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac.

NCSHA supports FHFA's proposal to establish a new percentage-based methodology for setting the GSEs' multifamily affordable housing goals, which we feel would incentivize the GSEs' to increase their support for affordable rental housing. At the same time, we believe the thresholds set in the proposed rule are too low. We recommend FHFA increase them to better reflect the GSEs' market presence and the increasing need for additional affordable housing throughout the country.

Keep the Percentage-Based Goals Framework

The current multifamily affordable housing goals require a specific number of units financed by loans purchased by the GSEs be affordable. Specifically, the goals for 2022 required that each GSE finance the development of at least 415,000 units affordable to low-income renters earning 80 percent of area median income (AMI) or less; 88,000 units affordable to very low-income families earning 50

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.

percent of AMI or less; and 17,000 units affordable to low-income families and located in small multifamily properties of between 2-50 units.

FHFA proposes to, beginning in 2023, change the goals framework to require that a specific percentage of units financed by GSE loan acquisition be affordable. Specifically, for 2023 and 2024, the low-income subgoal would be set at 61 percent of units financed by the GSEs, the very-low-income subgoal would be set at 12 percent, and the low-income small multifamily goals 2 percent.

Addressing our nation's affordable housing crisis will require the GSEs to lead the affordable housing market. The percentage-based goals will ensure they do.

While the unit-based framework has led to the GSEs supporting a substantial amount of affordable housing, it allows them to curtail their support for affordable housing after they met the unit thresholds (though NCSHA sees no evidence that the GSEs have done so in recent years). Setting the multifamily goals as a percentage of each GSE's overall business, the same approach taken with the single-family goals, will necessitate that affordable housing remains a key component of the GSEs' multifamily activities, regardless of how many multifamily homes they finance each year.

In addition, as FHFA points out in the proposed rule, the new methodology will be more responsive to market conditions and not have a substantial operational impact on Fannie Mae and Freddie Mac.

Increase Benchmarks to Reflect Markets Needs and Activity

While NCSHA supports the new percentage-based goals, we believe the proposed multifamily goals for both GSEs are still too low given the GSEs' current activity in the multifamily market and the nation's overwhelming need for more affordable housing. We recommend FHFA raise these goals to reflect the GSEs' current levels of affordable rental production.

As FHFA acknowledges in the proposed rule, the benchmarks FHFA proposes for 2023 and 2024 are all below both GSEs' performance levels for 2021, in some cases substantially lower. For example, the proposed low-income housing subgoal is set at 61 percent. In 2021, 69 percent of the multifamily units Fannie Mae and Freddie Mac financed qualified under this goal. FHFA proposes to set the very low-income subgoal at 12 percent. In 2021, 15 percent of units financed by Fannie Mae and 16 percent of units financed by Freddie Mac were affordable to very-low-income renters. The GSEs also both exceeded the proposed 2 percent subgoal for units in small properties, albeit by a smaller margin.

In the proposed rule, FHFA says one of the reasons it chose to set lower benchmarks compared to 2021 performance is because rising interest rates and related economic challenges will reduce multifamily finance activity. While demand for rental housing may slow, as the Harvard Joint Center

for Housing Studies has noted, household formation rates for younger adults are slower than previous generation, suggesting that there is still demand in the marketplace.² A recent analysis by Zillow concluded that rent prices will continue to outpace inflation, even if rent prices slow a bit compared to recent months.³ Further, there is still a pressing shortage of affordable housing options available, regardless of the overall market. According to the National Low-Income Housing Coalition, the United States has a shortage of 7 million affordable rental homes.⁴

Furthermore, the GSEs' special status in the market allows them to function as a countercyclical force that supports the market during downturns. Playing such a role is more important than ever given our nations' affordable housing crisis. It is also important to note that both GSEs' multifamily programs have maintained strong performance during both good and bad markets, including during the Great Recession.

Increasing the multifamily affordable housing goals also would be consistent with FHFA's recent efforts to increase GSE support for affordable housing and increasing equitable access to affordable housing.

For these reasons, we ask you to adjust FHFA's proposed multifamily affordable housing goals to a level consistent with, or even slightly above, recent GSE activity.

Thank you for your consideration. We would be happy to discuss this with you at your convenience.

Sincerely,

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

Garth Rieman
Director, Housing Advocacy and Strategic Initiatives

² Harvard Joint Center for Housing Studies, *The State of the Nation's Housing: 2022*, June 2022

³ Zillow Research Group, *Expert Panel: Expect a Buyers Market by 2023*, September 29, 2022

⁴ National Low Income Housing Coalition, *The Gap: A Shortage of Affordable Homes*, 2021