



July 26, 2012

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA49
Federal Housing Finance Agency
Eighth Floor
400 Seventh Street, SW
Washington, DC 20024

Re: RIN 2590-AA49, 2012-2014 Enterprise Affordable Housing Goals

Dear Mr. Pollard,

The National Council of State Housing Agencies (NCSHA) is pleased to have the opportunity to provide comments on the Federal Housing Finance Agency's (FHFA) proposed 2012-2014 affordable housing goals for the Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac. NCSHA supports strong affordable housing goals. We recommend that FHFA limit goals credit for purchases of multifamily mortgages that reduce affordability, encourage GSE-HFA partnerships, and foster innovation.

NCSHA is a national nonprofit, nonpartisan Washington, DC-based association that represents the interests of state Housing Finance Agencies (HFAs) before the Administration and the Congress. In addition to its policy and advocacy work, NCSHA provides HFAs education and training and facilitates best practice exchange among them.

HFAs are state-chartered housing agencies that operate in every state, the District of Columbia, New York City, Puerto Rico, and the U.S. Virgin Islands. Though they vary widely in their characteristics, including their relationship to state government, HFAs have in common their public-purpose mission to provide affordable housing to the people of their states who need it. HFAs administer a wide range of affordable housing and community development programs, including tax-exempt Housing Bonds, the Low Income Housing Tax Credit (Housing Credit), HOME, Section 8, down payment assistance, and state trust funds.

NCSHA Supports Strong Affordable Housing Goals

NCSHA supports the efforts of Congress and FHFA to require the GSEs to conduct mission-oriented activities through affordable housing goals. As one of the organizations that helped draft the original affordable housing goals legislation and worked with the

Administration to develop their regulatory structure, we support strong goals that push the GSEs to maximize their goal-qualifying activities. We believe the goals have been effective at increasing the GSEs' involvement in affordable housing. We also support aggressive enforcement of those goals.

Therefore, NCSHA supports the proposed increases in the GSEs' multifamily affordable housing goals. We also appreciate FHFA's commitment in the proposed rule to review the latest data and update the goals as appropriate, in case new information suggests they should do more to keep up with the market and lead the industry.

We believe it may be possible for FHFA to adjust the goals upward now, particularly the single-family goals. Some economic factors, such as the likely continuation of low interest rates for an extended period, may be hospitable to increased GSE mortgage activity. The GSEs' ability to lead the market, including through more reasonable underwriting standards that allow more responsible borrowers to purchase homes and through increased partnership activity with HFAs, could allow the GSEs to increase their goal-qualifying activity even further.

FHFA and the GSEs may also be able to increase goal-qualifying business by amending their loan underwriting practices. The proposed rule cites "continuing rigorous credit underwriting standards" as a reason there are fewer goal-qualifying loans and a lower percentage of goal-qualifying loans in the market. It also states that "such standards can be expected to remain in place." Many HFAs and other mortgage finance professionals are convinced that credit underwriting standards are stricter than necessary to ensure prudent, sustainable lending. Given that the GSEs and FHFA wield substantial influence over national underwriting practices—and in fact determine their own standards—we encourage FHFA to look for ways to develop standards that expand homeownership opportunities while remaining consistent with safe and sound lending practices.

Limit Goals Credit for Multifamily Activities that Reduce Affordability

The proposed rule seeks comments on whether the housing goals regulations should be amended to address the possibility that an Enterprise would receive credit under the housing goals for the purchase of a multifamily mortgage that was intended to facilitate the conversion of the property securing the mortgage from affordable rents to market rate rents. We encourage FHFA to limit goals credit for transactions that result in less affordability after the transaction than before it.

We understand that implementing this principle will be difficult because some multifamily mortgage purchases may assume or allow rent increases on the subject property but still produce or maintain affordable housing. Certainly, we urge FHFA to deny goals credit for any purchases that involve the conversion of goals-qualified units to non-qualified status. We also oppose goals credit for transactions that involve the elimination or weakening of

affordability restrictions on the subject property. In most cases, we would also oppose goals credit for transactions in which affordable rents rise to non-affordable market rents.

Support GSE-HFA Partnerships

NCSHA appreciates the proposed rule's statement that the GSEs' ability to lead the industry also relates to the GSEs' support for HFAs. We hope FHFA and the GSEs continue to recognize the time-tested and consistently high-performing HFA delivery system that extends the reach of the GSEs and helps them achieve their affordable housing goals. We urge FHFA to award goals credit to the GSEs for prioritizing their relationships with HFAs, working closely with HFAs in designing their affordable housing programs and products, and relying upon HFAs to carry out those activities. We ask you to direct the GSEs to partner with HFAs in meaningful and innovative ways that complement, augment, and expand their activities, rather than compete or work at cross-purposes with them.

Encourage Innovation

The proposed rule states that "FHFA is monitoring the activities of the Enterprises to...limit their risk exposure by avoiding new products and lines of business." Some new products and lines of business may allow the GSEs to maximize their goal-qualifying business with minimal risk. We urge FHFA to allow, and even encourage, the GSEs to be as innovative as possible in increasing their goals performance. We are convinced such innovation can advance the GSEs' mission and financial objectives simultaneously.

Thank you again for the opportunity to comment on FHFA's plans to establish the GSEs' 2012-2014 affordable housing goals. Please contact me if NCSHA can provide additional information.

Sincerely,

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

Garth B. Rieman
Director, Housing Advocacy and Strategic Initiatives