NATIONAL
HOUSING
TRUST

July 12, 2010

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590–AA16
Federal Housing Finance Agency,
Fourth Floor, 1700 G Street, N.W.
Washington, DC 20552

Dear Mr. Pollard:

The National Housing Trust is a national nonprofit organization that focuses specifically on the preservation of existing rental housing that is affordable to the nation's lowest-income households, including households that include elderly or disabled individuals. The Trust has directly developed or provided technical assistance or loans to preserve and improve over 22,000 affordable apartments. The Trust welcomes the opportunity to provide comments to the Federal Housing Finance Agency (FHFA) on the proposed Federal Home Loan Bank Housing Goals.

The Housing and Economic Recovery Act of 2008 (HERA) provides that the housing goals of the Federal Home Loan Banks (FHLBs) are to be "consistent" with the housing goals established by FHFA for Fannie Mae and Freddie Mac. These goals, presumably, must encompass the need to serve lower-income households, while also recognizing the particular abilities of Fannie Mae, Freddie Mac, and the FHLBs.

While financing for large multifamily properties (a specific requirement for the large GSEs) is an area of particular strength and expertise for Fannie and Freddie, large multifamily buildings by no means serve the needs of all renter or lower-income households. Approximately one third of US householders are renters, including approximately 46 percent of households below national median income (all figures are from the American Housing Survey 2007, Table 2-12). In fact, of the bottom third of all households by income, half are renters. As government sponsored entities, the FHLBs should strive to provide home loans in support of a balanced housing policy that meets the needs of all families—including both owners and lower-income renters.

While the efforts of Fannie and Freddie are critical to providing financing for affordable rental housing in larger properties, the largest component of renter households—52.3%—occupies rental properties with only one to four units. These properties, the vast majority of which are unassisted and unregulated, form the backbone of the affordable rental housing market. These properties are conventionally financed and generally family-owned, in most cases following underwriting processes and criteria that closely mirror the owner-occupied single-family housing market (many 2-4 unit properties also serve as residences for their owners). Yet this large and essential part of the housing market has until now been largely ignored by government sponsored enterprises and their regulators.

With their particular focus on small, conventionally financed properties and their concern for affordability, we believe the FHLBs can and should play a larger role in supporting the financing and preservation of this critical part of the affordable housing market. We believe that this is best done by incorporating financing for small rental properties into the universe of home loans that are subject to measurement and review by FHFA.

While assessing the number of moderate and low-income households assisted in homeownership by member banks is important, we believe that use of this measure alone to evaluate bank performance in supporting home affordability is flawed in two respects. First, it inappropriately relieves the FHLBs from any accountability for the housing needs of the one-third of households that are renters, including the one-half of all renters who live in small rental properties and whose housing choices are currently outside of FHFA purview altogether. Second, by measuring FHLB support for lower-income families only by the number of families achieving homeownership, it fails to acknowledge the diversity of needs of households who may prefer or be better served by renting their homes.

FHFA should, whenever possible, move away from a focus on owner-occupied single family housing in the FHLB goals to a broader, more balanced consideration of all properties with 4 or fewer units that are conventionally financed. Wherever practical, FHFA should use a category of small property (1-4 unit) conventional homes instead of the category of single-family owner-occupied homes for analyzing FHLB member banks' impact on home affordability under Section 1281.11, "Bank housing goals." This broader perspective should be used with respect to both the number of homes in the target market and the number of FHLB mortgages and homes included as part of a bank's housing goal effort. By using this broader measure for both need and impact, FHFA will move to better integrate the efforts of the Federal Home Loan Banks into a truly balanced housing policy and better utilize the ability of the FHLBs to serve lower income families and the small rental properties in which they live.

Thank you again for the opportunity to comment on this proposed rule. If you have any questions, please contact Toby Halliday, Vice President for Federal Policy, at (202) 333-8931, ext. 130.

Sincerely,

Michael Bodaken

Michael Bodaken
President