April 12, 2010

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street N.W.
Washington, D.C. 20552

Attn: Comments/RIN 2590-AA26

Dear Mr. Pollard:

Thank you for the opportunity to comment on the proposed rule, Enterprise Affordable Housing Goals. The Community Mortgage Banking Project (CMBP) is a public policy organization representing the interests of independent mortgage bankers. At the outset we acknowledge the difficulty of setting goals for Fannie Mae and Freddie Mac ("the GSEs") in today's circumstances when the portion of the market available to the GSEs is heavily influenced by the strong popularity of FHA-insured loans and the anemic capital position of existing mortgage insurers, which has caused those insurers to ration their dwindling stocks of capital through extremely restrictive underwriting guidelines and significant premium increases. If Congress grants FHA's request to charge a higher annual premium, and if some of the existing mortgage insurers are able to recapitalize, that situation may start to change later this year and next. Despite these adverse market conditions, the goals are a useful means of focusing GSE efforts on moderate and lower income consumers in order to expand homeownership opportunities for families of modest means who have demonstrated the ability and willingness to meet their financial obligations responsibly.

Overall comments

CMBP is generally supportive of the proposed regulations. We believe that it is extremely important that the goals not only focus the GSEs on supporting that portion of the market serving low and moderate income, creditworthy consumers, but that the goals create every incentive for the GSEs to do so with stable, affordable mortgage instruments that will create sustainable homeownership. We will address this concept more fully in our specific comments below.

Alternative Benchmarks

Because of the difficulty that we anticipate in forecasting the size and composition of the mortgage market in 2010, we support FHFA's creation of an alternative benchmark for each of the four Congressionally mandated housing goals. While the objective of housing goals is certainly worthwhile, in actual practice it is difficult, while the year is unfolding, to determine whether the GSEs are on track to meet the goals, since the detailed market data that is required to measure progress towards the goals is not available contemporaneously. Having a benchmark based upon FHFA's forecasts, as an alternative, will be useful in making ongoing, in-process assessments of the GSEs efforts to meeting the goals. We would urge FHFA to carefully re-assess this approach once actual data can be compared to forecasts, to determine the degree of accuracy that FHFA's forecasting method realizes. It would be counter-productive if FHFA's forecasts were significantly off the mark, thus forcing the GSEs to strive to meet a goal that was not reflective of what was actually happening in the marketplace.

Exclusions

In general CMBP supports FHFA's proposed exclusions from both the numerator and denominator of the GSE housing goals. In particular we support the exclusion of private-label securities (PLS) and second liens. We also support all the other exclusions listed in Sec. 122.12(b) 1- 6.

We believe the exclusion of PLS is very important at this time, but we would urge FHFA to retain an open mind on the subject in the future to judge whether determinable, sound underwriting standards are established and enforced in the PLS market. Should such a development occur, which we believe is a necessary precondition to the revival of the PLS market; mortgages that are financed through PLS should be stable, affordable instruments for consumers. Toward that end we would direct FHFA's attention to the risk retention provisions contained in both the House and Senate financial reform bills.

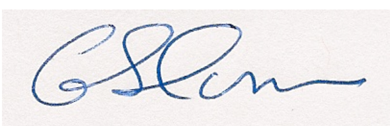
If the Congress enacts financial reform, it appears likely that there will be a risk retention provision contained in the final legislation, with the ability of the regulators to exempt certain soundly underwritten, lower risk, stable mortgages from risk retention requirements altogether. If the exemptions follow common sense underwriting standards, that permit appropriate flexibility, but exclude mortgage features or underwriting practices that have proven highly problematic in the past – such as no documentation of borrower income and assets, negative amortization, qualifying borrowers at initial, unsustainable interests rates only, etc. – then we urge FHFA to use the housing goals to focus the GSEs support on those "Qualified Mortgages" that are exempt from risk retention.

With this pending, and still unfolding, development in mind, we would urge FHFA to defer creation of an alternative measurement of housing goals, utilizing only sustainable mortgages, until final Congressional and regulatory action on risk retention and the exemption of certain Qualified Mortgages from the risk retention requirements. Once the Qualified Mortgage standard is established, FHFA can establish incentives for the GSEs to lead the market, by focusing the GSEs efforts on purchases of Qualified Mortgages. Risk retention requirements should be focused only on risk products, thus creating a strong disincentive for the securitization of non-Qualified mortgages, so that the GSEs, and lenders, do not ever again find themselves in a situation similar to the 2005-07-time period, trapped in a race to the bottom, as underwriting standards are relaxed, and demand for non-sustainable mortgages overwhelms the market for stable, affordable mortgages.

Alternatively, if Congress imposes across-the-board risk retention requirements without any directed exemption for Qualified Mortgages, FHFA should analyze the impact that such requirements are likely to have on the supply of available and affordable credit to lower income borrowers. In particular FHFA should examine whether the end result of such requirements will be to diminish the volume of mortgages that are made to lower income borrowers. In turn that would lessen the opportunities for the GSEs to acquire such mortgages, particularly if the risk retention requirement is imposed upon the sale of all mortgages in the U.S. and that diminished opportunity should be reflected in the Housing Goals for the GSEs.

Thank you for this opportunity to comment. Please contact us with any questions.

Sincerely,



Glen Corso
Managing Director