RE: RIN 2590-AA81

2018-2020 Enterprise Housing Goals

Mortgage Bankers Association

September 5, 2017

MORTGAGE BANKERS ASSOCIATION

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Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

RE: RIN 2590-AA81; 2018-2020 Enterprise Housing Goals

Dear Mr. Pollard,

The Mortgage Bankers Association (MBA)[1] thanks the Federal Housing Finance Agency (FHFA) for the opportunity to comment on the proposed 2018-2020 housing goals for Fannie Mae and Freddie Mac (the Enterprises).[2] The Enterprises are required by statute to facilitate the financing of affordable housing, and the housing goals are an important component of the framework by which FHFA can measure the Enterprises' progress.

MBA strongly supports efforts to ensure sustainable and affordable housing for low-income and very low-income households, whether through homeownership or rental options. And while the Enterprise housing goals can and do contribute to this objective, they should be balanced with and accompany other tools and objectives. As MBA noted in our recent proposal to reform and strengthen the secondary mortgage market, the most effective goals will be those that include both specific, quantitative outcomes based on loans made to distinct borrower/market segments and qualitative efforts, such as outreach, research, and targeted initiatives.[3] These

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, DC, the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership; and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

[2] 12 CFR Part 1282.

[3] MBA, "GSE Reform: Creating a Sustainable, More Vibrant Secondary Mortgage Market," April 2017. Available at: www.mba.org/gsereform.

differing types of goals should be pursued in tandem and should complement each other.

Importantly, while access to affordable mortgage credit is essential for addressing the needs of underserved borrowers and communities, it is worth noting that many housing markets face a critical shortage of affordable housing stock. This supply imbalance can create a pernicious cycle where, for instance, more affordable credit can lead to more bids on fewer homes, actually driving prices higher. While policy solutions to this issue are complex, this demand/supply dynamic should be considered when evaluating affordable housing goals and Duty to Serve obligations.

We are hopeful that the combination of the Enterprise housing goals, the soon-to-be-implemented Duty to Serve requirements, and the multifamily-specific volume cap regime can work in concert to move the Enterprises towards such a quantitative-qualitative balance. As FHFA evaluates the Enterprises on multiple fronts, we would urge that any assessments focus on market impact. Success is ultimately based on firm evidence regarding performance in various markets rather than the level of resources committed or activities conducted.

In reviewing FHFA's proposed amendment to Section 1282.21(b)(3) regarding the submission of a housing plan based on an Enterprise's failure to meet a housing goal, MBA encourages FHFA in any such scenario to provide an Enterprise with a clear and transparent process by which it is expected to carry out the housing plan, including a feasible timeline by which to take any necessary actions.

For the multifamily rental market, FHFA should continue to monitor its size and the market share of various multifamily finance capital sources in developing the Enterprise housing goals. In doing so, FHFA should remain aware of the availability of, and the need for, equity investments for multifamily housing. In this regard, FHFA should continue to monitor the impact that Congressional tax and budget negotiations could have on the financing of affordable housing stock if, for example, the value of the Low-Income Housing Tax Credit (LIHTC) is impacted. MBA supports maintaining and strengthening the LIHTC program as a valuable tool in the production of affordable rental housing. Likewise, we believe FHFA should monitor whether the current Section 8 housing subsidy allocation levels for renters are adequate.

MBA data[4] confirms that small multifamily properties represent a substantial segment of the multifamily rental market. Of the 46,920 multifamily loans closed in 2015, for

[4] MBA, "2015 Annual Report on Multifamily Lending," October 2016. Available at: https://www.mba.org/store/products/market-and-research-data/2015-annual-report-on-multifamily-lending.

example, 20,045 units (43 percent) were loans for $1 million or less, and these properties are often affordable. Community and regional banks also compete and lend actively in this market. In the context of the multifamily housing goals, MBA recommends maintaining the requirement that qualified small balance multifamily loans be on properties that serve households at 80 percent of area median income or less.

As single-family rental properties have become a focus of prominent policy discussions, MBA encourages FHFA, in its market analysis and development of low-income and very low-income benchmark levels, to provide clarity in advance on how this asset class will be categorized and measured within the Enterprise housing goals, the Duty to Serve requirements, and, if applicable, the impact on multifamily regimes.

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MBA appreciates FHFA's consideration of our comments regarding the Enterprise housing goals and the broader objective of facilitating financing for affordable housing. We look forward to our continued work with FHFA and the Enterprises on these important matters.

Should you have questions or wish to discuss these comments, please contact Dan Fichtler, Associate Director of Secondary and Capital Markets, at (202) 557-2780 or dfichtler@mba.org or Mark Dickemann, Policy Advisor, at (202) 557-2740 or mdickemann@mba.org.

Sincerely,

David H. Stevens, CMB
President and Chief Executive Officer
Mortgage Bankers Association