



NATIONAL ASSOCIATION OF REALTORS®

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April 12, 2010

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552

Transmitted by e-mail to RegComments@FHFA.Gov

RE: RIN 2590-AA26, 2010-2011 Enterprise Affordable Housing Goals; Enterprise Book-Entry Procedures

Dear Mr. Pollard:

On behalf of the 1.2 million members of the National Association of REALTORS® (NAR), I am submitting NAR's comments on the proposed rule of the Federal Housing Finance Agency (FHFA) to establish 2010 and 2011 affordable housing goals for Fannie Mae and Freddie Mac (the government sponsored enterprises, or GSEs). The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

The Housing and Economic Recovery Act of 2008 (HERA) transferred the authority to establish, monitor, and enforce the GSE affordable housing goals from HUD to FHFA. HERA requires FHFA to establish three single family owner-occupied purchase money goals and a single family refinancing mortgage goal. The single family goals are for low-income families (incomes at or below 80% of area median income (AMI)), families that reside in low-income areas as defined in the rule, very low-income families (incomes at or below 50% of AMI), and refinancing mortgages for low-income families. It also requires FHFA to establish a multifamily special affordable housing goal for low-income families and a multifamily special affordable housing subgoal for very low-income families.

HERA requires FHFA to consider seven factors in establishing the single family goals: (1) national housing needs; (2) economic, housing and demographic conditions; (3) the performance and effort of the GSEs toward achieving goals in previous years; (4) the ability of the enterprises to lead the industry in making mortgage credit available; (5) other mortgage data; (6) market size; and (7) the financial condition of the GSEs. For purposes of establishing multifamily special affordable housing goals, HERA established six factors: (1) national multifamily mortgage credit needs; (2) past

performance of the GSEs; (3) the size of the multifamily market; (4) the ability of the GSEs to lead the market; (5) the availability of public subsidies; and (6) the financial condition of the GSEs.

Background

NAR's July 15, 2004, comment on the proposed goals for 2005-2008 warned HUD that "the Proposed Rule assumes a GSE market share and future economic conditions that are too optimistic." In particular, we were worried that the goals would "distort mortgage markets" and pointed out that goals "set too high can be just as damaging as goals that are set too low." HUD did not heed NAR's warnings.

The post-2005 HUD goals forcing the GSEs to take undue risks to meet the goals appear to have been a factor behind the market dislocations that have led, and are still leading, to millions of foreclosures. Of course, there were many other factors, including the GSEs' over-reaching for market share, accepting weak "Alt-A" underwriting, and purchasing tranches of poor-quality private label securities, as well as weak underwriting by too many subprime lenders, inappropriate commercial lending by FDIC-insured institutions that made possible the operations of abusive subprime lenders, and a flood of excess capital, worldwide.

NAR reviewed abuses in the subprime lending market starting at the end of 2004 and in May 2005 issued its policy calling for underwriting that is consistent with sustainable homeownership. Regulators have taken action consistent with many of these recommendations.

NAR Comments

NAR welcomes FHFA's effort to design goals for 2010 and 2011 in a way that avoids the problems that were caused, in part, by the excessively high 2004-2008 goals. Consistent with our comment on the proposed 2009 goals, NAR continues to support ambitious, but reasonable, affordable housing goals for the GSEs that are consistent with sustainable homeownership. While we have some specific suggestions, overall the proposed goals are consistent with NAR's policy that the GSEs should be required to support making fair and affordable mortgages to a full range of qualified families in the market.

One particularly important aspect of the current law and the proposed rule is the provision allowing goals to be adjusted if (1) market and economic conditions require, or (2) efforts by the GSEs to meet the goal would constrain liquidity, cause over-investment in certain segments of the market, or result in other consequences contrary to the intent of the governing laws. NAR agrees with FHA's stated intention in the preamble that the GSEs should not "undertake uneconomic or high-risk activities in support of the goals." When that occurs, it not only harms the families receiving goals-eligible mortgages that are inconsistent with sustainable homeownership, but also harms all other homebuyers who depend on healthy GSEs.

Single Family Housing Goals. FHFA proposes the following single family benchmark goals for 2010 and 2011, measured as a percentage of the total number of purchase money mortgages on owner-occupied single family housing purchased by each of the GSEs:

- Low-Income Families: 27 percent
- Families in Low-Income Areas: 13 percent
- Very Low-Income Families: 8 percent
- Low-Income Families for Refinancing Mortgages: 25 percent

FHFA proposes a dual test to determine the GSEs' performance with respect to the single family goals based on benchmark levels of goals-qualifying shares of the GSEs' mortgage purchases and on the actual goals-qualifying shares of the primary mortgage market. FHFA plans to conduct monthly surveys of single family mortgage originations to provide more frequent and current data than the data reported under HMDA (which become available approximately nine months after each annual rating period). FHFA proposes to use these surveys of the market to assess performance by the GSEs in meeting their goals. A GSE would only be considered to have failed to meet a goal if its annual performance fails to meet both tests.

NAR supports this dual test because it is not reasonable to hold the GSEs to the benchmark test if market conditions significantly change and make achieving the goals with sustainable mortgages impossible. This approach acknowledges the recent experience demonstrating it is difficult, or impossible, to set future goals with precision. There is no way to accurately gauge markets over multiples years, especially since dramatic market swings are both inevitable and unpredictable. And, of course, even the timing of a full recovery may only be known in hindsight.

FHFA is giving itself a difficult challenge by proposing to initiate monthly surveys this year in order to determine goals-eligible mortgages in the primary mortgage market. Projects such as this often take a very long time to establish and calibrate. There may be a need for a fall-back system, such as using HMDA data in determining goals compliance until the monthly survey is fully established.

The proposed rule breaks with past practice by setting a separate goal for refinancing. This is an extremely important reform because the amount of refinancing is extremely cyclical and it has distorted efforts by the GSEs to meet their affordable housing goals.

Multifamily Housing. FHFA has established numerical multifamily unit goals for each enterprise for each of 2010 and 2011.

Goal	Fannie Mae	Freddie Mac
Purchases of mortgages on multifamily housing affordable to low-income families	237,000 dwelling units	215,000 dwelling units
Purchases of mortgages on multifamily housing affordable to very low-income families (subgoal)	57,000 dwelling units	28,000 dwelling units

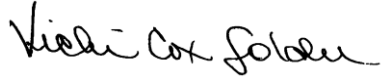
Variables in the economy probably make setting multifamily goals even more difficult than setting single family goals. FHFA's approach of setting numerical goals, instead of percentage goals as for single family, could exacerbate this problem. Another concern is that the proposed multifamily goals for 2010 and 2011 are based not just on the market for 2009, but the performance of the GSEs in the years 2004-2008, which includes several years before the market disruptions seriously constrained multifamily lending. NAR urges FHFA to monitor the situation closely and work with the GSEs in determining whether they should request an adjustment to multifamily goals based on changes in anticipated economic conditions or to avoid distortions in the market or other problems.

FHFA has asked for comment on whether additional requirements should be considered for smaller multifamily housing projects of 5-50 units. NAR urges FHFA to seriously consider establishing a subgoal for this class of multifamily projects. Not only will this approach help multifamily housing in smaller communities, it will promote a wide range of projects in large markets. We believe that diversity

that would come from increasing the availability of financing for smaller multifamily projects is likely to be good for communities and for the multifamily market as a whole.

If you would like to discuss our comments and concerns, please contact Jeff Lischer, NAR's Managing Director for Regulatory Policy, at 202.383.1117 or jlischer@realtors.org.

Sincerely yours,

A handwritten signature in black ink that reads "Vicki Cox Golder". The signature is written in a cursive, flowing style.

Vicki Cox Golder, CRB
2010 President
National Association of REALTORS®