October 23, 2014

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Attention: Comments/RIN 2590-AA65
Eighth Floor
400 7th St., SW
Washington, DC 20024

Transmitted by e-mail to RegComments@FHFA.Gov

RE: RIN 2590-AA65, 2015-17 Enterprise Housing Goals

Dear Mr. Pollard:

On behalf of the one 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 2015-2017 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 reliable 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.

NAR Comments

In NAR's comments on the proposed rule to establish the 2010 and 2011 goals, we supported FHFA's effort to design goals in a way that avoids the problems that were caused, in part, by the excessively high 2004-2008 goals. As in our earlier comments on GSE goals, NAR continues to support ambitious, but reasonable, affordable housing goals for the GSEs that are consistent with sustainable homeownership. NAR believes that the FHFA doesn't need to compromise safe and sound lending standards in order for the GSEs to support fair and affordable mortgages to a full range of <u>qualified</u> families in the market.

NAR supports retaining the dual test for determining GSE performance, and in doing so, believes that FHFA can set reasonable goals that strive to achieve the upper bound of market estimates. This is particularly true since a GSE is only considered to have failed to meet its goals if it falls short of both the benchmark and the actual market share for each goal, setting higher benchmarks would not have the effect of encouraging unsustainable lending to low-income borrowers.

Single Family Housing Goals

The following chart compares the single family benchmark goals established by FHFA for 2012-2014 with the benchmark goals proposed for 2015-2017. The benchmark goals are measured as a percentage of the total number of purchase money mortgages on owner-occupied single family housing purchased by each of the GSEs:

Single Family Goal Benchmarks

	2012-2014	2015-2017
Low-Income Families Goal	23%	23%
Very Low-Income Families Goal	7%	7%
Low Income Areas Goal	Set annually	Set annually
Low-Income Areas Subgoal (mortgages for families in low-income census tracts or moderate-income families in minority census tracts)	13%	11%
Refinancing Housing Goal	20%	27%

FHFA sets the proposed benchmark level based on its projections of the estimated market performance for each goal or subgoal in the primary mortgage market. The "overall market" that FHFA uses for purposes of both the prospective market forecasts and the retrospective market measurement consists of all single-family owner occupied conventional conforming mortgages that would be eligible for purchase by either Fannie Mae or Freddie Mac. Since the conventional conforming market over the last five years has been heavily weighted with loans purchased or guaranteed by the GSEs, FHFA market estimates are almost exclusively shaped by lending policies implemented by the GSEs. If the GSEs implement pricing policies that push a segment of borrowers to FHA loans, those borrower would fall out of FHFA's forecast of the "overall market." NAR's comments on the 2012-2014 goals recommended that FHFA reconsider the reduction in goals based on our more positive assessment of housing market conditions. Though FHFA chose to reduce the low-income goals to 23 percent for 2012-2014, this benchmark level proved to be lower than the overall market in each year, significantly so in 2012. Going forward NAR believes it is important that the FHFA critically examine what policies, both at the GSEs and at their lender customers, are producing the very market dynamics that contribute to reduced market forecasts.

NAR supports strong underwriting standards but for many years has noted that underwriting standards have been tightened beyond those set forth by either Fannie Mae or Freddie Mac. Reducing lender liability in the mortgage production/underwriting process may have an incremental effect on expanding credit availability; however, NAR believes it is prudent to protect taxpayers and the safety and soundness of the GSE's from loans that don't meet GSE underwriting guidelines. As an alternative, NAR supports efforts to research lending and credit policies that are keeping borrowers who are otherwise qualified from accessing mortgage credit.

NAR has also raised concerns that continued increases in upfront and guarantees fees in order to boost GSE profitability directly impacts the cost and, ultimately, access to conventional mortgages for an ever increasing number of borrowers. While rising fees have a strong likelihood of impacting many borrowers, NAR is especially concerned with the disparate impact the changes will have on first time homebuyers and other traditionally underserved borrowers. Ultimately, these families are more likely to bear the brunt of these fees and will move on to FHA loan products and thus not be counted towards FHFA market estimates of the "overall market" which covers just the conventional conforming market.

To that end, NAR looks forward to working with FHFA to evaluate the overall demand for mortgage credit and what factors may be contributing to the decline of borrowers in FHFA's forecast. NAR members report that potential homebuyers have become discouraged in the home purchase process in part due to concerns about credit availability, even while homes remain relatively affordable. This cycle seemingly prevents the return of confidence and stability in many housing markets.

Affordable Housing Goals Performance Measures

FHFA requests comments on proposed options for the GSEs to meet the goals. NAR believes FHFA should retain the dual test for determining the GSEs' performance with respect to the single family goals. A GSE is considered to be in compliance with the goal if its performance meets or exceeds either (1) the share of the actual market that qualifies for the particular goal, or (2) the benchmark level for the goal. A GSE is considered to have failed to meet a goal only if its annual performance fails to meet both tests.

NAR continues to supports this dual test for goals compliance because it is not reasonable to hold the GSEs to the benchmark test if market conditions significantly erode 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 multiple years, especially since dramatic market swings are both inevitable and unpredictable.

NAR greatly appreciates the opportunity to comments on the proposed housing goals. If you would like to discuss our comments and concerns, please contact Charlie Dawson, NAR's Senior Policy Representative for Financial Services, at 202.383.7522 or cdawson@realtors.org.

Sincerely yours,

Steve Brown

Steve Brown
2014 President
National Association of REALTORS®