September 5, 2017

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA81
Federal Housing Finance Agency
Eighth Floor
400 Seventh Street SW
Washington, DC 20219

Dear Mr. Pollard:

We are writing in response to the above-referenced Federal Housing Finance Agency (FHFA) proposed rule regarding the housing goals for Fannie Mae and Freddie Mac (the Enterprises). We appreciate the opportunity to comment on this important issue, particularly with regard to multifamily housing goals. We urge FHFA to raise the low-income and very low-income multifamily goals for both Enterprises to higher levels in light of the Enterprise activity levels, which often substantially surpassed these goals in recent years. We applaud the efforts of the Enterprises to serve affordable small multifamily buildings and appreciate the more substantial goals set for the coming years.

The proposed goals appear to permit the Enterprises to meet their requirements for low and very low-income multifamily loans without any incremental effort beyond what they have done in the previous review period. While we are mindful of the market, legislative, and regulatory instability that pose challenges for the Enterprises, we believe they can and should expand their efforts to ensure that our nation's strong, federally-supported housing finance infrastructure is geared to meet the housing needs of all households. This is especially critical as an increasing number of households are struggling to afford decent housing in vibrant neighborhoods. Our organizations provided specific suggestions on how the Enterprises could expand their support for financing properties that serve low-income households in our comments regarding the Enterprises' Duty to Serve created by the Housing and Economic Recovery Act and the thoughtful initial Underserved Markets Plans that the Enterprises recently published. We are encouraged by some of the initiatives in the draft Underserved Market Plans and would urge

review of our comments on these plans and the Duty to Serve rule as well, as they may provide further context with respect to our comments below.

For the years 2018- 2020, the proposed rule would raise each Enterprise's goal for units affordable to low-income households, defined as those at or below 80 percent of area median income (AMI), from 300,000 units to 315,000 units. This is an increase of five percent over the 2017 goal. For units affordable to very low-income households (at or below 50 percent of AMI) the proposed goal of 60,000 units is unchanged from the 2017 goal. Finally, for small (five to 50 unit) multifamily properties serving low-income households, the proposed goal would include no growth for the Enterprises into this important market that historically serves a large portion of low-income households.
Both Fannie Mae and Freddie Mac have already surpassed the levels set by the proposed goals in many recent years:

- For low-income units, Fannie Mae exceeded 315,000 units in 2012, 2013, and 2016 and Freddie Mac exceeded this level in 2015 and 2016, even though the goal for both Enterprises was lower during that period. The Enterprises' average purchase of loans financing units affordable to very low-income households was 343,276 in 2015 and 379,288 in 2016.
- For very low-income units, Fannie exceeded 60,000 units each year from 2012 to 2016. Freddie Mac exceeded this level in 2012, 2015, and 2016. In 2013 and 2014, Freddie Mac significantly exceeded its target goals of 50,000 and 40,000 respectively. The Enterprises' average purchase of loans financing units affordable to very low-income households was 73,006 in 2015 and 69,238 in 2016, both well in excess of the proposed goals.
- For small multifamily low-income units, the Enterprises' performance has been more modest, but Freddie Mac has demonstrated that this market can in fact be an area of success for the Enterprises. While Fannie Mae's performance fluctuated widely, from a high of 16,801 in 2012 to a low of 6,731 in 2015, Freddie Mac's impact grew from just 829 units in 2012 to 22,101 in 2016, suggesting that there may be additional untapped opportunity in this area.

As noted in the proposed rule, our country has seen a significant increase in the number of renter households. This has led to an insufficient supply of rental housing, particularly at rents affordable to lower income households. As discussed in the proposed rule, this is due in part to developers gravitating towards the upper end of the market when producing new stock and the failure of older stock to filter to lower rent levels, as demand remains high. The Enterprises' historical low-income multifamily purchases and the declining portion of overall multifamily business that low-income units represent reflect these shifts in the market and challenges in financing affordable units. While we understand well the challenges of financing affordable multifamily housing, anecdotally we have heard from our nonprofit members and partners that they are most often using financing products other than those purchased by the Enterprises. This preference by high capacity owners and developers for other products suggests that there are improvements that could be made to the Enterprises' products to help them better fulfill their affirmative obligation to facilitate the financing of affordable housing for low and moderate-income families. We urge FHFA to set robust goals and to encourage the Enterprises to continue

review of comments submitted on the Underserved Market Plans and Duty to Serve rule for further detail on such improvements, including reviewing reserve requirements, guarantees and processing time.

As stakeholders in the rental housing market and advocates for affordable housing, we recognize the critical role of the Enterprises and respect the need for them to maintain strong financial conditions and produce a reasonable economic return. This does not preclude higher loan purchase goals, however. The proposed rule acknowledges that growth in the rental market is expected to increase modestly and then remain level in 2018. With continued growth, a goal based on recent performance and perhaps reflecting a modest increase over recent performance would be more reflective of affirmative actions to serve low and moderate-income households than continuing to target goals that have been comfortably obtained even in the face of affordability and supply challenges. For low-income units, the Enterprises have outperformed their goals by an average of approximately 20 percent in the last two reported years. For very low-income units, the Enterprises have outperformed their goals by 18 percent. In 2018, the Enterprises will begin implementing their Underserved Market Plans to meet their Duty to Serve underserved markets. In addition to the relatively strong projected markets, these plans should help the Enterprises accomplish more robust goals based on recent performance and the strength of the market. While we defer to FHFA and other organizations with more robust economic analysis capabilities to establish specific goals, it would seem that an increase of no less than 5 percent- would be reasonable.

As the Enterprises seek to expand their financing support to properties that serve low-income renters, we are concerned that such efforts could, if not carefully structured, have the unintended impact of undermining affordability in some circumstances. Rising real estate costs and rents create significant pressure for owners and investors to convert affordable units to market rate housing at the earliest opportunity. In certain instances, we understand that existing affordable housing is being acquired by investors that do not intend to preserve the units' long-term affordability. We strongly encourage FHFA and the Enterprises to ensure, to the extent possible, that units counted toward these housing goals remain affordable to the targeted populations during the term of the Enterprise financing. Underwriting assumptions or other practices that could reasonably be expected to result in displacement of low-income residents are inconsistent with the goal of expanding low-income housing opportunities.

Unlike the single-family goals in the proposed rule, the goals for the multifamily sector are numerical targets. The multifamily share of the rental sector has grown over the last decade and has experienced substantial increases in the number of cost-burdened households. As Home Mortgage Disclosure Act (HMDA) data becomes available from the expanded fields, we encourage FHFA to pursue a market level measure. In the meantime, benchmark goals should be as robust as possible

FHFA has the statutory obligation to enable "liquid, efficient, competitive, and resilient national housing finance markets." Fannie Mae and Freddie Mac are chartered to provide a stable source of housing finance and they have a duty to fully serve all markets, especially low-income families. Conservatorship of the Enterprises does not diminish or negate this responsibility.

Given the scope of the rental affordability crisis, FHFA should raise the Enterprises' low- and very low-income multifamily housing goals, to incentivize both Fannie Mae and Freddie Mac to take a more active role in helping to provide financing for affordable multifamily housing. FHFA should raise multifamily housing goals to spur the Enterprises to play "a critical ongoing role in the multifamily sector, particularly for affordable multifamily properties and underserved market segments," as FHFA's Strategic Plan explicitly states.

Thank you for your consideration of these comments. We look forward to working with FHFA and the Enterprises as they continue to work toward improving housing opportunities for all.

Sincerely,

Housing Partnership Network

Local Initiatives Support Corporation (LISC)

National Housing Trust

Stewards of Affordable Housing for the Future (SAHF)