



1325 G Street, NW, Suite 800  
Washington, DC 20005

Tel (202) 220-2300  
Fax (202) 376-2600  
[www.nw.org](http://www.nw.org)

July 26, 2012

Mr. Alfred M. Pollard  
General Counsel  
Attention: Comments/RIN 2590-AA49  
Federal Housing Finance Agency  
Eighth Floor  
400 7<sup>th</sup> Street, SW  
Washington, DC 20024

Subject: Comment on the Federal Housing Finance Agency's Proposed Rule to Establish Housing Goals for 2012, 2013 and 2014 for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac)

- RIN 2590-AA49

Dear Mr. Pollard:

On behalf of NeighborWorks<sup>®</sup> America (also known as Neighborhood Reinvestment Corporation) I want to thank the Agencies for the opportunity to provide comments in regard to the Proposed Rule to establish housing goals for 2012, 2013 and 2014 for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

These comments have not been submitted to or approved by NeighborWorks America's board, and reflect the views of NeighborWorks America's management, and do not necessarily represent the views of its board members, either collectively or as individuals.

**Background Information Regarding NeighborWorks America:**

NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation. The Corporation receives a direct annual federal appropriation. The corporation's Board of Directors is made up of senior representatives of the federal financial regulatory agencies (the Federal Reserve; the Federal Deposit Insurance Corporation; the Comptroller of the Currency; the National Credit Union Administration) and the U.S. Department of Housing and Urban Development.

The primary mission of NeighborWorks America is to expand and preserve affordable rental and homeownership opportunities and to strengthen distressed urban, suburban and rural communities across America, working through a national network of local community-based organizations, known collectively as the NeighborWorks network.

The NeighborWorks network includes more than 235 nonprofit organizations, serving urban, suburban and rural communities across the United States -- in all 50 States, the District of Columbia and the Commonwealth of Puerto Rico.

In FY 2011 alone, the NeighborWorks network generated nearly \$4.2 billion in direct reinvestment in distressed communities across the nation, and helped more than 260,000 low- and moderate-income families purchase and preserve their homes, or live in safe, decent rental housing. NeighborWorks organizations own and manage more than 90,000 units of affordable rental housing.

NeighborWorks America has a 30+ year history of facilitating lending to non-conventional borrowers – including lower income families, borrowers with impaired credit and others who would not normally qualify for a conventional mortgage. Despite the current economic downturn, with high-quality housing counseling, appropriate loan products, and a modest level of financial assistance where needed, the loan performance of the many low-income families assisted by NeighborWorks organizations over the years continues to be strong, in comparison to other loans.

NeighborWorks America also administers the National Foreclosure Mitigation Counseling Program, which has provided more than \$600 million in congressionally-appropriated funding to HUD-approved housing counseling intermediaries, State housing finance agencies and local NeighborWorks organizations – funding which has supported the work of more than 1,700 sub-grantees, and as of this date had provided foreclosure counseling to more than 1.4 million individuals and families in all 50 states, Puerto Rico and Guam.

It is from this base of experience that NeighborWorks America provides these comments regarding the Proposed Rule.

**Comments:**

NeighborWorks America is generally supportive of the Proposed Rule, but has concerns that the proposed rule can have unintended consequences on the communities and families served by local NeighborWorks organizations and other nonconventional community-based lending organizations and affordable housing providers.

Our primary concern is that households of modest means continue to have access to affordable homes (homeownership and rental) and affordable financing products, and that low-income communities have access to affordable capital.

NeighborWorks America is deeply involved in expanding affordable housing opportunities – through both homeownership and rental housing – and, we believe a federally supported secondary market should have a driving interest and obligation to reach underserved markets, including distressed urban communities and rural areas, properties serving low-income residents, economically distressed areas, properties serving populations with special needs, and other underserved populations and communities. We therefore continue to support the 2008 Housing and Economic Recovery Act requirement that Enterprise goals be set looking at alignment between the primary and secondary mortgage markets, and a retrospective look at the Enterprise's performance in meeting the goals. We also support the FHFA's efforts to examine primary market activity and increase the minimum goals for low-income multifamily and very- low-income multifamily for the Enterprises for the period of 2012-2014.

The proposed rule notes that the multifamily goal and subgoal for 2012-2014 reflect (quoting from the rule):

*“the unusually high volume and market share the Enterprises experienced in 2011. FHFA believes this level of market share will gradually decrease in 2012 and beyond. ...FHFA has taken a conservative*

*approach to setting the multifamily goals for 2012 to 2014 because of the difficulty predicting changes in the market. FHFA may adjust the levels of the multifamily goals at a later date if market conditions so require.”*

NeighborWorks America agrees that this is a reasonable approach, but we encourage FHFA to be open to revising both the multifamily and single-family goals if circumstances warrant change. If the Enterprises were to exceed their goals by as large a margin as they did in 2010, it would seem to indicate that FHFA has set the goals too low and should adjust the goals accordingly.

NeighborWorks America also urges FHFA to encourage and/or incentivize the Enterprises to meet mission goals in other ways, including in the disposition of the Enterprises’ portfolios of Low Income Housing Tax Credit investments to mission-minded organizations with sufficient capital, expertise and dedication to maintain the properties as affordable. This has become increasingly important as the availability of affordable rental stock has tightened, and many areas are experiencing extremely low vacancy rates and higher rents.

Both Fannie Mae and Freddie Mac have large investments in multifamily affordable developments that were financed with the Low Income Housing Tax Credit. The Enterprises are no longer claiming the tax benefits of these tax credits because the Enterprises are no longer realizing a profit. Many of these properties are at or near the Year 15 expiration of compliance restrictions. Although the affordability restrictions and income qualifications do not expire at Year 15 (Low Income Housing Tax Credit housing must be kept affordable for a minimum of 30 years) the IRS compliance period does.

This affordable housing is a valuable part of the multifamily housing stock that needs to be managed well for the long term.

FHFA encourage/incentivize the Enterprises to transfer these Low Income Housing Tax Credit properties to competent, mission-oriented affordable housing owners who will be effective stewards for the long term.

We are not supportive of the Enterprise’s simply selling-off the credits to the highest bidder, as this would conflict with the Enterprises’ affordable housing goals.

Additionally, FHFA should encourage and/or incentivize the Enterprises to meet their mission goals by their disposition of single-family REO to mission-oriented housing developers to be used as affordable rental housing, or affordable homeownership.

In support of affordable homeownership, and in recognition of the current tight-credit environment (particularly for families and individuals of modest means) it would also be important for the Agency to encourage the Enterprises to support appropriately priced 30-year, fixed-rate mortgage products, to assure that modest-income families and individuals are able to acquire the REO and other properties, and achieve sustainable, long-term homeownership.

As noted in the proposed rule, current market conditions and research strongly indicates increasing demand for affordable rental housing as the homeownership rate drops. The disposition of the Enterprises’ inventory of single family REO could be a useful tool in increasing the affordable rental housing stock if the Enterprises accept reasonable bids from qualified nonprofit bidders who intend to use the housing as affordable rentals.

If the Enterprises sell REO to mission-oriented housing developers to use it as affordable rental housing or affordable homeownership, the Enterprises should receive credit under mission goals for this activity.

We would also ask the Agency to recognize and support the importance of prepurchase homeownership education and counseling by:

- Encouraging that the Enterprises support the provision of quality homeownership education and counseling, possibly by creating a financing product that includes a pricing incentive (i.e., discount) for borrowers who satisfactorily complete an approved homeownership education and counseling program;
- Urging the Enterprises to require the completion of a homeownership education and counseling program for any first-time home-buyer/borrower financing their home purchase with anything other than a 25-year or 30-year, fixed rate, constant-payment mortgage;
- The Agency or the Enterprise's developing a methodology to track the performance of loans to individuals who have satisfactorily completed an approved homeownership education and counseling program, as compared to other borrowers; and
- The Agency and/or the Enterprise's working with the homeownership education and counseling industry to design and implement these and other recommendations to encourage borrowers to obtain homeownership education and counseling before purchasing a home.

**Closing Comment:**

NeighborWorks America would like to thank FHFA for their efforts to establish reasonable housing goals for the Enterprises, and for their consideration of these comments.

Please feel free to contact me, or Steven Tuminaro, Director of Public Policy and Legislative Affairs (at 202-220-2415 or [stuminaro@nw.org](mailto:stuminaro@nw.org)) for any clarification of these comments.

Sincerely,



Eileen Fitzgerald  
Chief Executive Officer