



October 25, 2021

Clinton Jones, General Counsel
Attention: Comments/RIN 2590-AB12, Affordable Housing Goals
Federal Housing Finance Agency

Dear Mr. Jones:

The National Community Reinvestment Coalition (NCRC), an association of more than 600 community-based organizations seeking to increase access to credit and capital for traditionally underserved communities, appreciates the opportunity to comment on the proposed affordable housing goals for the years 2022-2024. The performance of the Government Sponsored Enterprises (GSEs or Fannie Mae and Freddie Mac) in purchasing loans made to people of color, communities of color and to low- and moderate-income (LMI) borrowers and communities is key to the ability of banks and other lenders to make loans to these populations. Congress has recognized the integral role of the GSEs in the housing finance system by mandating that they lead the market in serving LMI and people of color borrowers and communities.¹

To this end, rigorous goal setting for the affordable housing goals could propel the GSEs into market leaders in underserved communities. The Federal Housing Finance Agency (FHFA) establishes goals for single- and multifamily-housing. The goals are expressed in terms of percentages of loans issued to underserved populations that the GSEs must purchase. We thank the FHFA for increasing the percentages for the goals in some cases, but ask the FHFA consider higher percentages for goals in other cases as described below. We also believe that the FHFA must incorporate local analysis of GSE performance for metropolitan areas and rural counties and require housing plans² for improving performance in cases where GSEs lag the market, particularly when the GSEs fail one or more of their national goals.

The FHFA should consider two year goals instead of three year goals. With two year goals, the FHFA could be more aggressive in setting benchmarks and choosing benchmark levels that were closer to the upper range of the forecasted percentage of loan purchases for each goal. Forecasts are more accurate over a shorter time frame, making more aggressive goal setting more feasible.

We also appreciate that the FHFA is proposing a separate goal for purchases of loans made in census tracts with high percentages of residents that are people of color. This is the first time that FHFA has proposed a separate goal of this nature and it is an important reaction to the increasing racial disparities overall and in homeownership rates. NCRC found that the current homeownership rate of 42% for African Americans is the same as it was in 1970 and that to reach a goal of 60%, 165,000 African American households would need to become homeowners

¹ Federal Housing Finance Agency (FHFA), 12 CFR Part 1282, RIN 2590-AB12 Proposed Rule, 2022-2024 Enterprise Housing Goals, p. 47403, <https://www.federalregister.gov/documents/2021/08/25/2021-18008/2022-2024-enterprise-housing-goals>

² Housing plans are now required in cases in which a GSE fails a goal on a national level. NCRC suggests expanding this requirement to include improvements in local area performance, see FHFA, Housing Goals, p. 47400.

annually for the next twenty years.³ Furthermore, NCRC's research revealed that census tracts redlined over eight decades ago remain predominantly communities of color today and are disadvantaged with higher rates of significant health ailments that make residents more prone to COVID.⁴ Therefore, heightening the rigor of the goals in terms of increasing purchases of home loans made to people of color is imperative to reversing economic and health inequality and building wealth.

The proposed minority areas and low-income areas goals should be strengthened along the lines of the proposed low-income home purchase borrower goal

For the single family goals, the FHFA creates two measures for assessing GSE performance: the market level and the benchmark level. The market level is the percentage of loans that the lending industry made to an underserved group of borrowers such as LMI borrowers in the recent past. In contrast, the benchmark is a percentage of loans that the FHFA establishes based on forecasting models that estimate lending levels in future years. For example, for the LMI borrower goal in 2020, the benchmark was 24% while the market level was 27.5%. As long as the percentages of GSE purchases exceeded either the market or benchmark level, the GSE passed on a particular goal. If a GSE failed on a goal, it has to develop a housing plan to be approved by the FHFA.

NCRC appreciates that FHFA appeared to be pushing the GSEs on some of the goals. For the low-income (eligibility is defined as incomes up to 80% of area median income) home purchase borrower goal, the FHFA increased the benchmark level from the current level of 24% to a proposed 28% for 2022-2024. The FHFA estimated that the market level could be as low as 26% and that 28% was in the middle of the range of forecasted values.⁵ Pushing this goal above the lower average of forecasted values is commendable and hopefully will help increase homeownership opportunities for LMI borrowers.

For the first time, the FHFA also proposed a home purchase goal for minority tracts (eligibility is defined as the percentage of tract residents that were people of color was 30% or greater and the income levels of borrowers were 100% of area median income or less). The FHFA set the proposed benchmark level for the years 2022-2024 at 10%, which FHFA stated was slightly higher than the market level and Freddie Mac's percentage and equal to Fannie Mae's during the last few years.⁶ We would urge the FHFA to determine if a modestly higher percentage such as 12% is attainable because it would benefit thousands of additional borrowers across the country in the next couple of years and may help to narrow racial gaps in homeownership.

³ Dedrick Asante-Muhammad, Jamie Buell, Joshua Devine, *60% Black Homeownership: A Radical Goal For Black Wealth Development*, NCRC, March 2021, <https://ncrc.org/60-black-homeownership-a-radical-goal-for-black-wealth-development/>

⁴ Bruce Mitchell PhD., Senior Research Analyst and Juan Franco, Senior GIS Specialist, *HOLC "Redlining" Maps: The Persistent Structure Of Segregation And Economic Inequality*, March 2018, <https://ncrc.org/holc/>. Also, *Redlining and Neighborhood Health*, NCRC, September 2020, <https://ncrc.org/holc-health/>

⁵ FHFA, Housing Goals, p. 47407.

⁶ Ibid., p. 47409.

We urge a reconsideration for the proposed low-income tract goal which is too low in our estimation. For low-income tracts (median income level of tract residents is 80% or less of area median income), the FHFA proposed a benchmark level of 4%. This was about half of the current performance of the market and the GSEs. FHFA stated that it did not want to promote gentrification with a higher goal since this goal contained no limit on income levels of the borrowers. However a more direct method of accounting for gentrification would be to identify the low-income tracts that were exhibiting signs of gentrification by using demographic and housing data as NCRC has done in previous reports.⁷ For example, for those low-income tracts that have average home price increases that are higher than a metropolitan or county average, the FHFA would not allow loans to borrowers with greater than 80% of area median incomes in those tracts to count towards the goal. If the FHFA adopts this suggestion, it would have to recalibrate the recent past performance of the market and the GSEs, but our guess is a recalculation would result in a goal higher than 4% that would more meaningfully expand access to credit in low-income tracts in need of more home purchase lending.

Local area analyses needs to supplement national goals

National goal setting has not sufficiently assessed the GSEs ability to lead the market which the Safety and Soundness Act requires the FHFA to consider when setting affordable housing goals.⁸ In order to more effectively implement this consideration, the FHFA must also conduct analysis of GSE performance on a metropolitan and rural county level and use these analyses in housing plans required when GSEs fall short of goals. Currently, the GSEs must either exceed the market or benchmark level in order to pass a national goal. This rule is not rigorous enough in order to promote GSEs leading the market. We would suggest that the GSEs must submit housing plans indicating how they will improve metropolitan and county level performance if they fall short of either benchmark. If they fail a goal, the housing plan must mandate more strenuous improvements.

The FHFA could calculate GSE performance under the goals for metropolitan areas and for rural counties. The GSE percentages of loan purchases could be compared to the percentages of loans made by financial institutions in the geographical areas.⁹ If a GSE was behind the benchmark level on any of the national goals, it would have to submit a plan indicating how it would improve performance for the particular goal(s) in 30% of the metropolitan areas and rural counties where its performance lagged relative to lenders' performance. If the GSE fell behind in the market but not the benchmark level on the national level, the percentage would be higher such as 40%. The market level as discussed below has been harder for the GSEs to meet and is the more direct measure of whether it is leading the market, a consideration required by statute. Therefore, improvements described in housing plans should be more robust if the GSEs fall

⁷ Jason Richardson, Bruce Mitchell, Jad Edlebi, *Gentrification and Disinvestment 2020*, NCRC, June 2020, <https://www.ncrc.org/gentrification20/>

⁸ FHFA, *Housing Goals*, p. 47403.

⁹ This is similar to an approach explored by Patrick Boxall and Josh Silver, *Performance of the GSEs at the Metropolitan Level*, in *Cityscape: A Journal of Policy Development and Research*, pp. 145-217, Volume 5, Number 3, Office of Policy Development and Research, Department of Housing and Urban Development, <https://www.huduser.gov/Periodicals/CITYSCPE/VOL5NUM3/boxall.pdf>

behind the market level. Lastly, if a GSE(s) failed a national goal, the requirements in a housing plan would ratchet up to 50% of the areas.

The NCRC suggested percentages (30%, 40% and 50%) for the portion of local areas in which GSE performance should improve illustrate how the requirements in housing plans can be increased depending on the nature of the shortfall. FHFA should do further research to determine if the specific percentages suggested by NCRC are feasible and would result in meaningful improvement or whether different percentages should be chosen.

Under the NCRC proposal, when the GSEs are required to submit a housing plan, they would be required to indicate improvements in a diversity of areas including large urban areas, smaller urban areas and rural counties. They should also focus on areas with large percentages of people of color, which would help achieve the objectives of the FHFA's proposed housing equity plans. In order to ensure that the GSEs would not cherry pick the easiest areas to serve, data could be generated on loans per capita and other indices which would identify relatively underserved areas in the country which should be targeted by housing plans.

The table below builds on Table 1 in FHFA's proposed affordable housing goals which shows the GSE performance under the five single family goals over an eleven year time period.¹⁰ The NCRC table reveals the percentage of times a GSE equaled or exceeded either the benchmark or market level. For example over the eleven year time period, Freddie Mac equaled or exceeded the benchmark on the low-income area home purchase goal 73% of the time but only 27% of the time for the market level. Overall for all the goals over the eleven years, Freddie Mac equaled or exceeded the benchmark 67% of the time but only 29% of the time for the market level. Fannie Mae's performance was closer on the two levels but it still had an easier time with the benchmark level.

The relative ease with the benchmark level suggests that FHFA is cautious with using their forecasting models and setting a benchmark level that it believes with reasonable confidence that the GSEs will pass. While that could be prudent, it is inconsistent with the statutory mandate that the GSEs should do a better job at leading the market. We believe the goal setting exercise would become more rigorous and make it more likely for the GSEs to be market leaders if they were required to address shortfalls on a metropolitan and rural county level, with requirements becoming more stringent if they fall below the market level or fail a goal altogether.

¹⁰ FHFA, Housing Goals, p. 47406.

GSE Performance on Affordable Housing Goals: Comparing Market and Benchmark Attainment													
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Above or =	Below
Low-Income Home Purchase													
Fannie Market	-	-	-	-	+	-	+	+	+	+	+	55%	45%
Fannie Benchmark	-	-	+	+	+	-	-	+	+	+	+	64%	36%
Freddie Market	+	-	-	-	-	-	+	-	+	+	+	45%	55%
Freddie Benchmark	+	-	+	-	-	-	-	-	+	+	+	45%	55%
Very Low-Income Home Purchase													
Fannie Market	-	-	-	-	+	-	-	+	+	-	+	36%	64%
Fannie Benchmark	-	-	+	-	-	-	-	-	+	+	+	36%	64%
Freddie Market	+	-	-	-	-	-	+	-	-	+	-	27%	73%
Freddie Benchmark	+	-	+	-	-	-	-	-	+	+	+	45%	55%
Low-Income Area Home Purchase													
Fannie Market	+	+	-	-	+	+	+	+	+	+	+	82%	18%
Fannie Benchmark	+	-	+	+	+	+	+	+	+	+	+	91%	9%
Freddie Market	-	-	-	-	-	-	+	-	+	+	-	27%	73%
Freddie Benchmark	-	-	+	-	+	+	+	+	+	+	+	73%	27%
Low-Income Areas Subgoal													
Fannie Market	+	+	-	-	+	+	+	+	+	+	+	82%	18%
Fannie Benchmark	-	-	+	+	+	+	+	+	+	+	+	82%	18%
Freddie Market	-	-	-	-	-	-	-	-	-	-	-	0%	100%
Freddie Benchmark	-	-	+	+	+	+	+	+	+	+	+	82%	18%
Low-Income Refinance Goal													
Fannie Market	+	+	-	+	+	-	-	-	+	-	+	55%	45%
Fannie Benchmark	-	+	+	+	+	+	-	+	+	+	+	82%	18%
Freddie Market	+	+	+	-	+	+	-	-	-	-	-	45%	55%
Freddie Benchmark	+	+	+	+	+	+	+	+	+	+	-	91%	9%

Summary of GSE performance on Benchmark and Market Level		
GSE	>= Bench	>=Market
Fannie Mae	71%	62%
Freddie Mac	67%	29%

FHFA should increase their proposed multifamily goals

NCRC appreciates the increases the FHFA is proposing for the multifamily goals targeting the GSE purchases of loans financing multifamily units for low-income and very low-income tenants. Yet, NCRC believes that the FHFA can increase the targets, given the housing shortages and decrease in affordability experienced by lower income tenants in recent years as the FHFA itself discussed in its proposal.¹¹ In addition, federal subsidies for affordable multifamily housing is likely to increase over the 2022-2024 time period, making it possible for the construction industry to produce more units and for the GSEs to purchase more loans financing these units.

¹¹ FHFA, Housing Goals, p. 47411.

The FHFA proposed a goal of 415,000 units for the multifamily low-income housing goal, which is a significant increase from 315,000 units under the current goals. Yet, Freddie Mac and Fannie Mae already exceeded this goal in 2020, making loan purchases that financed more than 473,000 units and 441,000 units respectively.¹² In addition, both GSEs generally recorded consistent increases in the units financed by their purchases since 2014 instead of the unit counts wildly fluctuating from year to year. Therefore, NCRC believes it is possible to establish a goal somewhere between 450,000 and 475,000 units for the 2022 through 2024 time period.

Likewise, under the multifamily very low-income goal, the FHA's proposed level of 88,000 units could probably be increased to 100,000 units. Freddie Mac and Fannie Mae purchased loans financing more than 95,000 and 107,000 units, respectively in 2020. Just like the performance under the low-income goal, the GSEs consistently increased their number of units under the very low-income goal since 2014. Finally, NCRC would urge the FHFA to consider a goal of 30,000 units instead of 23,000 units under the small multifamily low-income goal, given the data indicating the likelihood of the GSEs being able to surpass a higher goal.¹³

FHFA stated that it only established a benchmark level instead of a benchmark and market level for multifamily goals because the data on lender activity in the multifamily market is not as comprehensive in covering the market as it is in single family market. Nonetheless, just like our recommendation above, NCRC suggests that the FHFA use available data on primary market activity and needs to establish some local targets to complement the national goal setting.

The FHFA could use Home Mortgage Disclosure Act (HMDA) data on multifamily lending to compare lending activity to needs for multifamily housing on a state, metropolitan and county level. It could use the HMDA data to calculate loans per rental household for the geographical areas and compare this to need as captured by vacancy rates and rental housing cost burdens. Areas with the greatest mismatches between lending activity and need could be established as priority areas under either the affordable housing goals or the duty-to-serve requirements. The FHFA could either require the GSEs to set goals for underserved areas with the greatest needs or the FHFA could establish subgoals. The goals would require increases in purchases in these areas. In this manner, the GSEs could achieve the statutory objectives in the Safety and Soundness Act of leadership and meeting needs.¹⁴

Conclusion

The FHFA should more consistently push the GSEs to improve their performance in underserved markets in the single family and multifamily goal setting for the years 2022-2024. For example, on single family goals, the agency proposed more of a stretch goal on low-income homeownership than for some of the other goals. In our comments on the new housing equity plans, we will also be proposing a new goal for purchasing loans to people of color in geographical areas likely exhibiting discrimination consistent with a recent NCRC publication

¹² Ibid., p. 47414.

¹³ Ibid., p. 47415.

¹⁴ Ibid., p. 47410.



on incorporating race in the Community Reinvestment Act (CRA).¹⁵ The minority goal we are proposing is likely to facilitate goal attainment under the affordable housing goals, which will make modest stretching of the goals realistic.

For both the single family and multifamily goals, NCRC believes the FHFA should incorporate local analyses. Under the single family goals, local goal attainment would be part of housing plans when the GSEs fall short of the market or benchmark levels or fail a goal(s) altogether. For multifamily housing goals, local targets could be established with benchmark levels or with reference to past GSE purchasing levels for areas with greatest needs.

NCRC thanks the FHFA for the opportunity to comment. Please contact myself on jvantol@ncrc.org or Josh Silver, Senior Advisor, on jsilver@ncrc.org, if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Jesse Van Tol". The signature is written in a cursive, flowing style.

Jesse Van Tol
President and CEO

¹⁵ Brad Blower, General Counsel, NCRC; Josh Silver, Senior Policy Advisory, NCRC; Jason Richardson, Director of Research and Evaluation, NCRC; Glenn Schlactus, Partner, Relman Colfax PLLC; Sacha Markano-Stark, Attorney, Relman Colfax PLLC, *Adding Robust Consideration Of Race To Community Reinvestment Act Regulations: An Essential And Constitutional Proposal*, September 2021, <https://www.ncrc.org/adding-robust-consideration-of-race-to-community-reinvestment-act-regulations-an-essential-and-constitutional-proposal/>