



July 22, 2010

Alfred M. Pollard  
General Counsel  
Attention: Comments/RIN 2590-AA27  
Federal Housing Finance Agency  
Fourth Floor  
1700 G Street NW  
Washington, DC 20552

Re: RIN 2590-AA27, Enterprise Duty to Serve Underserved Markets

Dear Mr. Pollard,

The National Council of State Housing Agencies (NCSHA) is pleased to provide comments to the Federal Housing Finance Agency (FHFA) on its proposed rule implementing the Housing and Economic Recovery Act of 2008's (HERA) duty to serve provisions applicable to the Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac. In general, we support the proposed rule's efforts to encourage the GSEs to increase their support of affordable housing activities in preservation, manufactured housing, and rural areas. However, we urge you to simplify the system for awarding credit for GSE Housing Bond and HFA-financed mortgage purchases and give GSEs credit for supporting HFA assistance to families that live in underserved rural areas not captured by the USDA rural area definition.

NCSHA is a national nonprofit, nonpartisan Washington, DC-based association that represents the interests of state Housing Finance Agencies (HFAs) before the Administration and the Congress. In addition to its policy and advocacy work, NCSHA provides HFAs education and training and facilitates best practice exchange among them.

HFAs are state-chartered housing agencies that operate in every state, the District of Columbia, New York City, Puerto Rico, and the U.S. Virgin Islands. Though they vary widely in their characteristics, including their relationship to state government, HFAs have in common their public purpose mission to provide affordable housing to the people of their states who need it. HFAs administer a wide range of affordable housing and community development programs, including tax-exempt Housing Bonds, the Low Income Housing Tax Credit (Housing Credit), HOME, Section 8, down payment assistance, and state trust funds. They have extensive experience partnering with the GSEs on affordable housing efforts.

As one of the organizations that helped draft the original Fannie Mae and Freddie Mac affordable housing goals legislation and worked with the Administration to develop their regulatory structure, we support strong goals and duty-to-serve requirements for Fannie Mae and Freddie Mac. We believe the goals have been effective at increasing GSE involvement in affordable housing and strong duty to serve requirements can complement the goals and encourage additional GSE assistance

to underserved markets. We also support aggressive enforcement of those goals and duty to serve requirements.

We support the proposed rule's provision stating that GSE purchases of HFA-issued Housing Bonds will receive credit under the loan purchase factor to the extent the GSE has sufficient information to determine whether the underlying mortgages or mortgage-backed securities serve very low-, low- or moderate-income families in a particular underserved market. We encourage the FHFA to administer this provision in a flexible way that recognizes it will be extraordinarily burdensome for HFAs and the GSEs to track the income of each borrower served through HFA Housing Bonds.

We recommend FHFA award credit generously for GSE Housing Bond and HFA-financed mortgage purchases on the basis of the preponderance of low- and moderate-income families and underserved markets that HFAs assist through their programs. Some HFA program income eligibility limits target those programs to families with incomes outside the low and moderate-income categories cited in the proposed rule. We believe the FHFA should recognize the value of GSE support for all HFA activities under those programs.

We also appreciate the references in the discussion on the proposed rule to the value of GSE partnerships with HFAs. FHFA should recognize and give credit to GSE efforts to establish such partnerships and establish flexible, aggressive, and prudent underwriting standards that facilitate those partnerships and expand the availability of affordable housing financing for preservation, manufactured housing, and rural areas.

While we understand the reasons for and support designating USDA-defined rural areas as the benchmark for serving rural communities, we recommend FHFA recognize that many states have underserved rural areas that are not included in the USDA definition. Therefore, we urge FHFA to pursue a broader definition, augment it to include additional areas, or provide states with the flexibility to designate rural areas where GSE activity will count toward their duty to serve rural areas.

Thank you again for the opportunity to comment on FHFA's proposed duty to serve rule. Please contact me if NCSHA can provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth B. Rieman", with a long horizontal flourish extending to the right.

Garth B. Rieman

Director, Housing Advocacy and Strategic Initiatives