



December 6, 2023

Marcea Barringer
Supervisory Policy Analyst
Federal Housing Finance Agency
400 Seventh Street SW
Washington D.C. 20219

RE: Duty to Serve 2023 RFI

Dear Ms. Barringer:

The National Council of State Housing Agencies (NCSHA),¹ on behalf of the nation's state housing finance agencies (HFAs), thanks the Federal Housing Finance Agency (FHFA) for the opportunity to comment on the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac's proposed modifications to their respective Duty to Serve Underserved Market Plans.

Both Fannie Mae and Freddie Mac propose to reduce several loan and equity purchase targets for 2023 to reflect declining market activity. This includes requests by Freddie Mac to lower its targets for loans for Low-Income Housing Tax Credit (Housing Credit) properties, Section 8 properties, Section 515 Rural Development loans, and resident-owned manufactured housing communities. Fannie Mae's proposal would, among other changes, lower its 2023 loan purchase targets for manufactured housing loans titled as real property, resident-owned manufactured housing communities, and single-family shared equity loans.

NCSHA acknowledges that, given the slowdown in the single-family and multifamily housing markets, some adjustments to the GSEs' 2023 targets may be warranted. Further, we appreciate that the GSEs have, with a couple exceptions, not proposed to reduce their purchase and investment targets for 2024, demonstrating a continued commitment to supporting underserved segments of the market.

However, one of the central objectives of the Duty to Serve rule is to require the GSEs to use their substantial resources and dominant market presence to play an innovative and leading role in addressing critical housing needs. Some of the new targets proposed by the GSEs appear to correspond

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entirely with market developments. This cuts against the purpose of the Duty to Serve rule and would reduce GSE support for affordable housing options when the unfavorable market makes such support especially critical.

NCSHA is particularly concerned about Freddie Mac's proposal to decrease its 2023 Housing Credit equity investment goal from 55,000 units of affordable housing to 34,100 units, a 38 percent reduction. Freddie Mac explains this proposal by citing a projection from the Mortgage Bankers Association (MBA) that multifamily originations will contract 38 percent in 2023 from 2022. We take no issue with the projection, and, as said above, do understand that some target reductions may be necessary. Still, we question whether it is truly necessary for Freddie Mac to adjust the purchase target to correspond exactly with the expected decline in market activity when the purpose of the Duty to Serve rule is for the GSEs to act as market leaders, not simply reflect the market as a whole.

Such a steep reduction would cut against the Duty to Serve rule's mission to promote affordable housing preservation. This is especially concerning when our nation is facing an affordable housing crisis. The Housing Credit is our nation's most effective tool for financing the development and preservation of rental housing affordable to low-income Americans. Freddie Mac and Fannie Mae's purchases of Housing Credit properties have helped to preserve the affordability of Housing Credit properties at a time when affordable housing options are dwindling for working families.

We ask that FHFA closely examine Freddie Mac's new proposed benchmark for Housing Credit property loan purchases to determine not just whether it reflects the market, but whether it is ample to incentivize Freddie Mac to be a leader in affordable housing preservation.

Thank you again for the opportunity to comment. Please let us know if we can provide any additional information as you consider our recommendations.

Sincerely,

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

Garth Rieman
Director, Housing Advocacy and Strategic Initiatives