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July 26, 2012

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

[Transmitted by e-mail to RegComments@FHFA.Gov]

RE: RIN 2590-AA49, 2012-14Enterprise Housing Goals

Dear Mr. Pollard:

On behalf of the one million members of the National Association of REALTORS® (NAR), I am submitting NAR's comments on the proposed rule of the Federal Housing Finance Agency (FHFA) to establish 2012-2014 housing goals for Fannie Mae and Freddie Mac (the government sponsored enterprises, or GSEs). The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

The Housing and Economic Recovery Act of 2008 (HERA) transferred the authority to establish, monitor, and enforce the GSE affordable housing goals from HUD to FHFA. HERA requires FHFA to establish three single family owner-occupied purchase money goals and a single family refinancing mortgage goal. The single family goals are for low-income families (incomes at or below 80% of area median income (AMI)), families that reside in low-income areas as defined in the rule, very low-income families (incomes at or below 50% of AMI), and refinancing mortgages for low-income families. It also requires FHFA to establish a multifamily special affordable housing goal for low-income families and a multifamily special affordable housing subgoal for very low-income families.

HERA requires FHFA to consider seven factors in establishing the single family goals: (1) national housing needs; (2) economic, housing and demographic conditions; (3) the performance and effort of the GSEs toward achieving goals in previous years; (4) the ability of the enterprises to lead the industry in making mortgage credit available; (5) other mortgage data; (6) market size; and (7) the financial condition of the GSEs. For purposes of establishing multifamily special affordable housing goals, HERA established six factors: (1) national multifamily mortgage credit needs; (2) past performance of the GSEs; (3) the size of the multifamily market; (4) the ability of the GSEs to lead the market; (5) the availability of public subsidies; and (6) the financial condition of the GSEs.

EQUAL HOUSING OPPORTUNITY

NAR Comments

In NAR's comments on the proposed rule to establish the 2010 and 2011 goals, we supported FHFA's effort to design goals in a way that avoids the problems that were caused, in part, by the excessively high 2004-2008 goals. Consistent with our earlier comments on GSE goals, NAR continues to support ambitious, but reasonable, affordable housing goals for the GSEs that are consistent with sustainable homeownership. NAR's believes that the GSEs should be required to support making fair and affordable mortgages to a full range of qualified families in the market. Because our assessment of the current and upcoming housing market conditions is more positive than FHFA's and based on forecasts in the preamble itself, we recommend that you reconsider the extent to which it is necessary to reduce the goals.

Single Family Housing Goals

The following chart compares the single family benchmark goals established by FHFA for 2010 and 2011 with the benchmark goals proposed for 2012-2014. The benchmark goals are measured as a percentage of the total number of purchase money mortgages on owner-occupied single family housing purchased by each of the GSEs:

Single Family Goal Benchmarks

	2010-2011	2012-2014
Low-Income Families Goal	27%	20%
Very Low-Income Families Goal	8%	7%
Low Income Areas Goal	Set annually	Set annually
Low-Income Areas Subgoal (mortgages for families in low-income census tracts or moderate-income families in minority census tracts)	13%	11%
Refinancing Housing Goal	21%	21%

FHFA proposes to retain the dual test for determining the GSEs' performance with respect to the single family goals. A GSE is considered to be in compliance with the goal if its performance meets or exceeds either (1) the share of the actual market that qualifies for the particular goal, or (2) the benchmark level for the goal. A GSE is considered to have failed to meet a goal only if its annual performance fails to meet both tests.

NAR continues to supports this dual test for goals compliance because it is not reasonable to hold the GSEs to the benchmark test if market conditions significantly erode and make achieving the goals with sustainable mortgages impossible. This approach acknowledges the recent experience demonstrating it is difficult, or impossible, to set future goals with precision. There is no way to accurately gauge markets over multiple years, especially since dramatic market swings are both inevitable and unpredictable.

NAR questions the proposed reductions in the goals, especially the reduction from 27% to 20% for the low-income families housing goal. The NAR assessment of current and upcoming market conditions is significantly more positive than FHFA's, which anticipates fewer existing home sales in 2012 and 2013 than NAR and lower prices in 2012 before "rebounding" in 2013.

NAR Sees Higher Homes Prices and Sales

NAR data show that during the spring of 2012, both home prices and home sales improved markedly. In July, we reported a 4.5% increase in existing home sales over the 12-month period ending in June of 2012, the 12th consecutive month that NAR has reported a year-over-year gain. Weakness in Europe has hamstrung financial markets and, combined with the Fed's extension of operation twist, interest rates eased to record lows and are likely to remain at or near record lows in the short term, which will help continue to make housing extremely affordable on a historical basis.

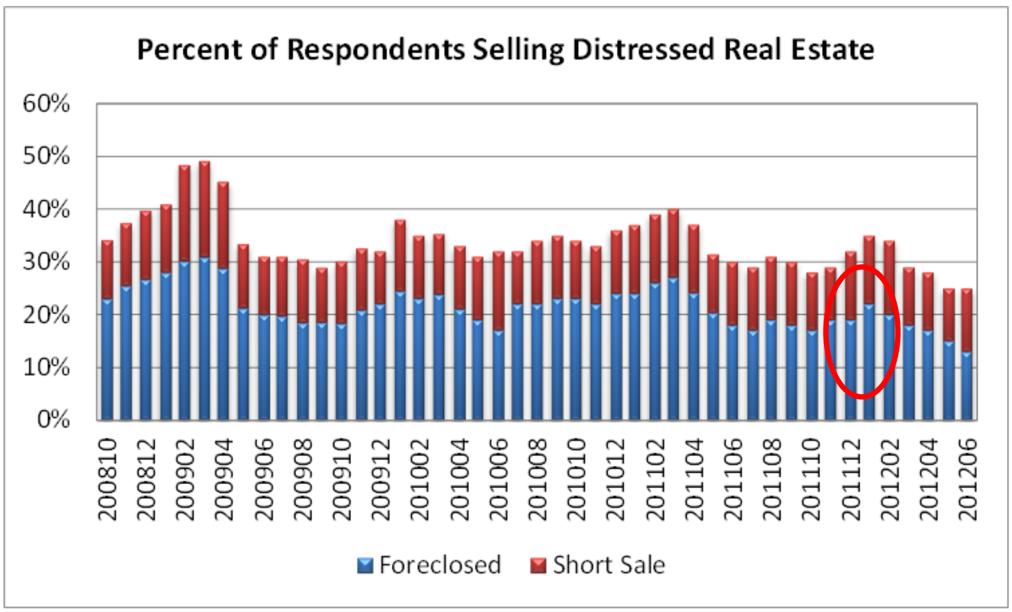
NAR's June forecast[1] is for existing home sales to rise 9.5% in 2012 to 4.664 million units (SAAR) and 6.9% in 2013 to 4.988 million units. Table 6 of the preamble includes somewhat lower forecasts of 4.604 million units in 2012 and 4.727 units in 2012. NAR has also revised up its outlook for price growth from forecasts earlier this year. We estimate that the median home price will rise 3.0% in 2012 and 5.7% in 2013. The median price in June of 2012 was 7.9% stronger than a year earlier and was the 4th consecutive month showing year-over-year gains. This strength has been exhibited in other home price measures which lag the NAR's median price measure. Price growth is likely to ease later in 2012 as the typical seasonal pattern takes hold and the share of distressed

[1] http://www.realtor.org/sites/default/files/reports/2012/us_economic_outlook_july_2012.pdf

properties rises. Unlike the industry forecasts cited in the preamble for a decrease in prices in 2012, NAR believes prices for the whole of 2012 will be stronger than 2011.

Higher Buyer Interest and Fewer Distressed Sales Suggest Stronger Market

Buyer traffic as measured by NAR's REALTORS® Confidence Index and foot traffic index remain robust suggesting strong buyer interest going into the slower late 3rd and 4th quarters.[2] Robust prices have helped dynamics within the distressed market as well. The share of REALTORS® who sold a foreclosure in June eased to the lowest monthly level since NAR began tracking the statistics in October of 2008. Meanwhile, the share of REALTORS® who sold a short sale eased, but not proportional to the decline in foreclosures. This suggests that distressed owners are better able to liquidate their properties by short selling rather than going through a foreclosure in this environment of stronger prices. This trend is important as short sales carry a smaller price discount relative to the market, which often reduces the amount consumers owe after the transaction, and have been demonstrated to have a smaller negative price impact on surrounding properties. There has been anecdotal evidence of an increase in interest in alternatives to foreclosures and a shift toward short sales versus foreclosures by banks.[3] Furthermore, the short sale alternative is, of course, also better for the consumer's credit.



Early Stage Delinquencies Are Declining

Early stage delinquencies have been on the decline according to the Monthly Mortgage Performance Data[4] for May from Lender Processing Services as has the seriously delinquent rate, but the foreclosure inventory remains nagingly high in judicial states. Foreclosure starts have been on the rise as expected and liquidations flat, but an increase in modifications along with heightened documentation reviews increased the outflow from the foreclosure bucket into delinquent status which may cure some or just forestall other foreclosures into the future. This trend suggests that more foreclosures are likely to be liquidated in the fall, but in a market of heightened investor and owner-occupied interest and elevated pricing.

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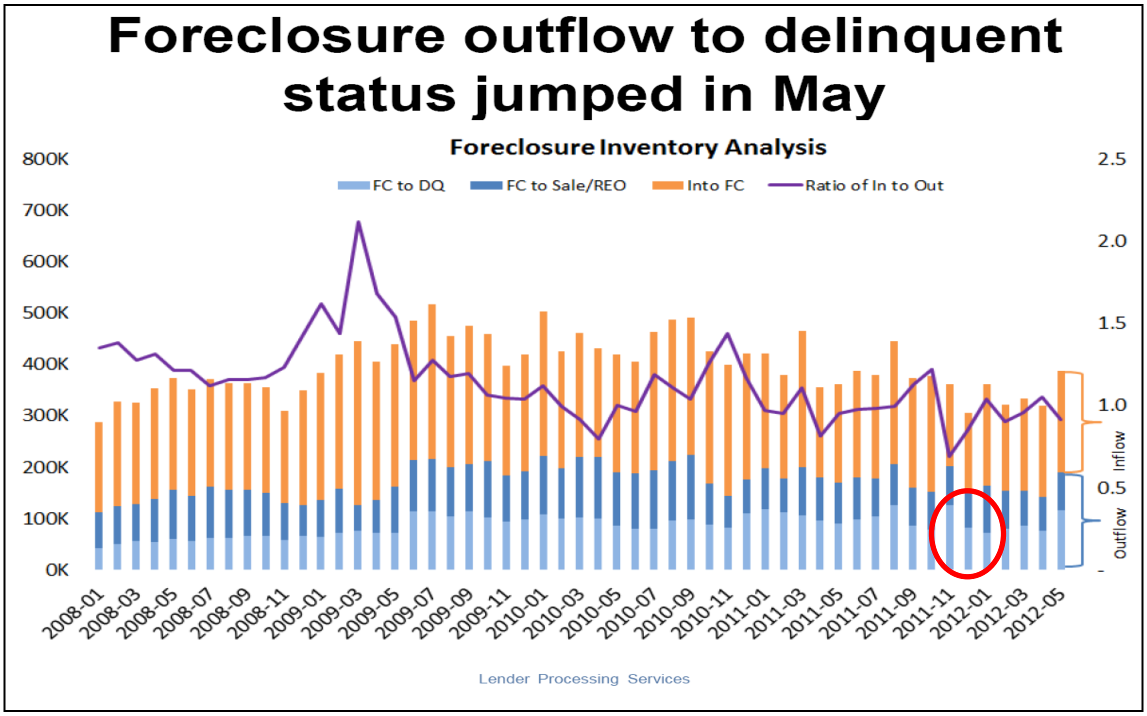
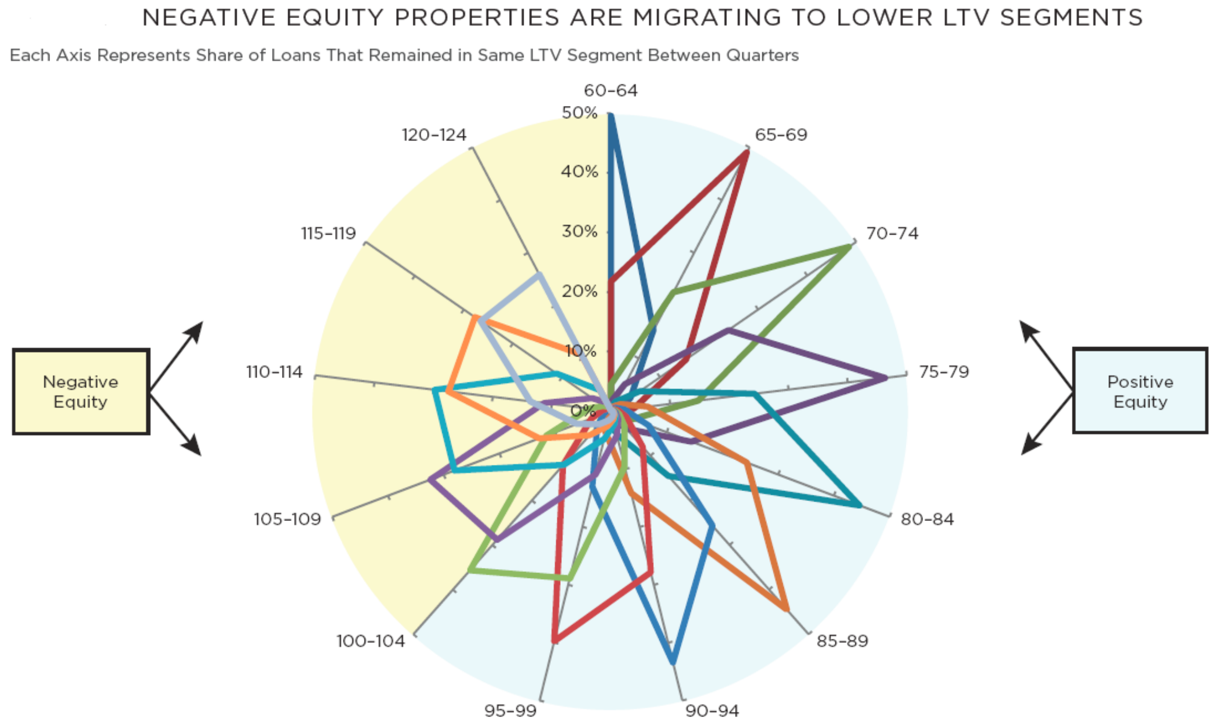
[2] http://www.realtor.org/reports/realtors-confidence-index
[3] http://www.realtytrac.com/content/foreclosure-market-report/foreclosure-activity-trends-in-may-2012----realtytrac-7238 and http://wpcarey.asu.edu/finance/real-estate/market-reports.cfm
[4]http://www.lpsvcs.com/LPSCorporateInformation/CommunicationCenter/DataReports/MortgageMonitor/201205MortgageMonitor/MortgageMonitorMay2012.pdf



Higher Prices Mean Fewer Underwater Borrowers and More Refinancing

The improvement in prices significantly reduced the number of underwater borrowers in the 1st quarter of 2012 according to Corelogic.[5] The number of underwater homeowners fell from an upwardly revised 12.1 million to 11.3 million. What's more the report pointed out that the recent price increases were concentrated in the lower price range where distressed sales are more common and as a result "the much larger rise in prices for lower-priced homes helped improve the negative equity share more than it would have otherwise done." The graphic below from Corelogic depicts the downward shift in LTVs that was prevalent in the higher LTV ranges. The geometric figures emanating from the center of the chart depict the change in distribution of each LTV bucket compared to the 4th quarter of 2011. The broader the figure, the more migration. For instance, the grey trapezoid that starts at the 120-124 LTV line indicates that roughly 26% of that bucket stayed at that LTV, while roughly 28% shifted to the 115-119 LTV bucket, 13% migrated to the 110-114 LTV bucket and 5% moved to the 105-109 LTV bucket. In short, the price improvement had the strongest impact on those homeowners underwater or near underwater, shifting them into stronger equity positions. This was true of near-negative equity homeowners as well. This pattern will help to ameliorate the impact of changes in income, employment or personal situations on underwater borrowers (the "double trigger") and reduce delinquencies.

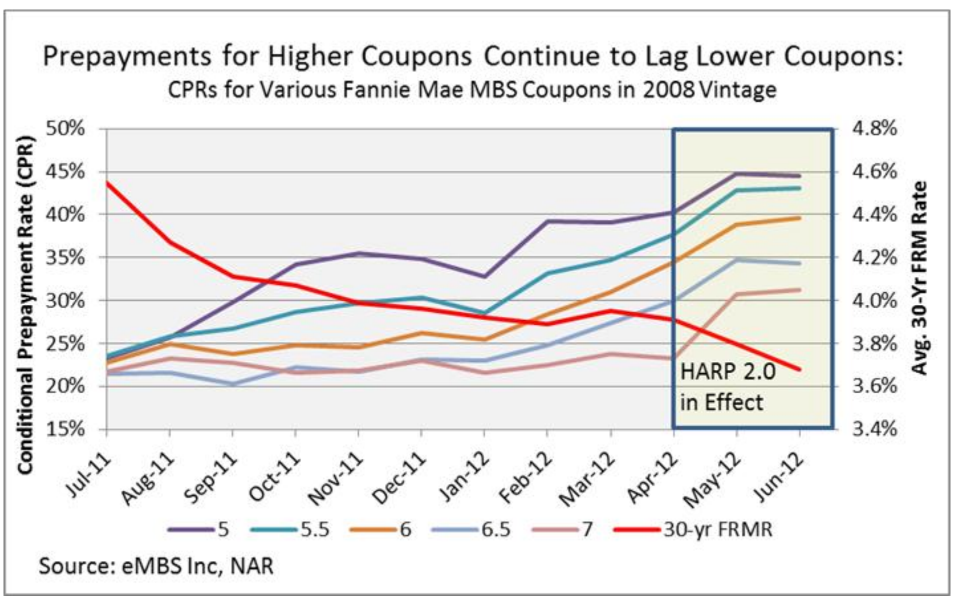
[5] http://www.corelogic.com/downloadable-docs/marketpulse_2012-july.pdf



How to Read Chart: Each axis represents LTV segments. The lines represent the percentage of loans that remained in the same LTV category between Q4 2011 to Q1 2012. The closer the line on each axis is to the outer ring, the less migration there is between quarters. The full distribution is not shown, only LTVs between 60 and 124% LTV.

Source: CoreLogic Q1 2012

The improved equity picture for the lower end of the market will help to enable refinancing for this group in the private label sphere, while the recent extension of HARP 2.0 has caused a sharp increase in prepayments among higher-coupon mortgages in Fannie Mae mortgage pools, though prepayments on higher coupons still lag lower coupons leaving room for improvement.[6] The combined effect should help homeowners at the lower price segment to stabilize their payment situation or to liquidate their property with a smaller impact to their equity position and credit history, thus enabling a faster return to homeownership. It should be noted that the Corelogic estimates are based on data through the 1st quarter and do not incorporate the more recent, robust price movements captured in price measures like the NAR median home price. Prices may ease later in the year, but are expected to be stronger for the year as a whole suggesting that these positive equity movements will hold or improve further. This improvement will encourage more first time buyers and enable more current homeowners to sell and purchase another home. FHFA should take these favorable trends more into account in determining the 2012-2014 goals.



[6] http://economistsoutlook.blogs.realtor.org/2012/07/13/harp-still-hamstrung/

The forecast remains fragile with tight credit conditions holding back many worthy homebuyers and a bulge of foreclosures left in the pipeline. But the picture has improved since last year, particularly for the lower-end of the housing market, and throws into doubt the need to reduce the goals for 2012-2014.

Should Goals Be Significantly Reduced?

Based on data in the preamble, we are unclear why the rule proposes to lower the low-income housing goal from 27% to 20% for each year of the 2012-2014 period. The economic recovery that is slowing gaining ground should enable the GSEs to meet a higher goal, at least in 2013 and 2014. You state that "industry observers" estimate that unemployment will fall to 7.8% in 2012, which should increase demand. FHA's market share is projected to fall back to 2008 levels in both 2012 and 2013, which should increase the share of mortgages with low income borrowers available for purchase by the GSEs. You forecast a 22.4% market share for low-income borrowers for 2012 but only 19.6% for 2013. Assuming those are accurate, we do not understand why you propose to set the benchmark goal at only 20% for 2012. With respect to the refinance goal for low-income borrowers, the 21% proposed goal will be too low in 2013, if your forecast of 24.1% is accurate. These points raise a question of how you determined the goals, considering the data and forecasts set forth in the preamble.

Because of what appears to be some inconsistencies between the data and forecasts in the preamble and the proposed goals and because NAR believes the housing market recovery is stronger than the data you rely upon indicate, we recommend that FHFA reconsider the proposal to lower the single family housing benchmark goals and reassess the other goals as well. The upside is the potential for increased availability of mortgage lending for the full range of qualified homebuyers who can meet today's tight underwriting criteria. Since a GSE is only considered to have failed to meet its goals if it falls short of both the benchmark and the actual market share for each goal, setting higher benchmarks would not have the effect of encouraging unsustainable lending to low-income borrowers.

Multifamily Housing

The proposed rule would set the goals for purchases of mortgages on multifamily housing with units affordable to low-income families for (1) Fannie Mae: 251,000 units for 2012, 245,000 for 2013, and 223,000 for 2014 and (2) Freddie Mac: 191,000 for 2012, 203,000 for 2013, and 181,000 for 2014. The proposed rule would also set multifamily very low-income housing subgoals.

The preamble invites comments on whether the housing goals regulation should be amended to prevent any risk that a multifamily mortgage in connection with the conversion of a property from affordable rents to market rents could be treated as goals-eligible. While we appreciate your view that the risk of these happening is now very low, we see no reason not to include a prohibition in the regulation to prevent borrowers from masking their intention to convert to market rents and to prevent "creative" counting by the GSEs.

If you would like to discuss our comments and concerns, please contact Charlie Dawson NAR's Policy Representative for Financial Services, at 202.383.7522 or cdawson@realtors.org.

Sincerely,

Maurice "Moe" Veissi
2012 President, National Association of REALTORS®