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Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Constitution Center
400 7th Street SW
Washington, DC 20219

Submitted via: https://www.fhfa.gov/AboutUs/Contact/Pages/Request-for-Information-Form.aspx

Dear Mr. Pollard:

On behalf of the 1.3 million members of the National Association of REALTORS® (NAR), I submit this letter in response to the Federal Housing Finance Agency's (FHFA) request for comment on the proposed *Affordable Housing Program Amendments*. NAR believes that well thought out regulatory relief for community based lenders could reignite homeownership opportunities for a significant number of additional Americans. NAR supports efforts to reform the Affordable Housing Programs (AHPs) to the extent that it helps to achieve this goal.

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 1,200 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock and making it available to the widest range of potential homebuyers.

Amending the Affordable Housing Programs

The AHP is currently comprised of a competitive fund and a homeownership set-aside. Under the proposed amendment, the competitive fund would be replaced with a mandatory general fund compromising *at least* 55 percent of funds and up to three "targeted" funds that would share *up to* 40 percent of total AHP funds. The homeownership set-aside would have its *maximum share* of AHP funds raised from 35 percent to 40 percent. Thus, *at least* 55 percent of AHP funds are designated for the general fund and the rest are divided between the targeted fund and homeownership set-aside fund.

Furthermore, the FHFA has proposed restructuring how projects are selected and removing other constraints in an attempt to modernize and improve these

EQUAL HOUSING OPPORTUNITY

programs. Project selection for the new general fund and targeted funds would be based on "priorities" designated by the FHFA. These priorities must focus on enhancing homeownership.

Mortgage credit availability from community-based lenders is critical to a robust housing market. REALTORS® recognize that reasonably targeted regulatory relief to community-based lenders will increase the competition necessary for a vibrant mortgage market without jeopardizing the overall safety and stability of the U.S. financial system. These include lending for new home and commercial construction, as well as to rural and underserved areas. To this end, NAR believes that amendments to the AHPs should be focused on reducing regulatory complexity, while maintaining and potentially expanding the reach of the overall program.

Targeting New Housing

The housing market faces historically low levels of inventory, which are driving prices up at a steady clip. Current inventory levels have been hovering at historic lows: at the end of 2017, supply would have been exhausted in just 3.2 months, the lowest since NAR began tracking in 1999 and well below what is considered a balanced market of 6 to 7 months supply. The shortage reflects a construction deficit of 3.5 to 4 million single-family homes that have not been built since the crisis, which also continues to inflate prices. Furthermore, single-family investors bought millions of homes following the recession which were turned into rentals, while many would-be trade-up buyers chose instead to remodel and expand their homes, reducing the stock for future entry-level buyers.

The shortage of single-family homes is most acute at the entry-level portion of the market, where homes are typically priced below $250,000 in most markets. Increasing the supply of entry-level homes would help ease price growth and boost affordability nationwide. Given the historic nature of the current shortage and estimates of a decade or longer to normalize the housing stock, all efforts to improve issues related to the limited supply should be redoubled. While new "priorities" intended to guide selection of local AHP projects were added under the proposed amendments, regulators should consider the construction of owner-occupied housing as a separate, critical priority.

Homeownership Languishes

The national homeownership rate of 64.2 percent languishes near its 50-year low. For certain lower income and minority groups, the rate is even lower. If the homeownership rate were at its long-term average of 65.5 percent, nearly two million additional American households would own their home, building wealth, and controlling their future. Rising mortgage rates and supply shortages will continue to hamper future homebuyers and delay any attempts to normalize the homeownership rate in the years ahead.

NAR agrees with the proposed amendments to the AHP that would increase the homeownership set-aside's maximum share from 35 percent to 40 percent and simultaneously raise the maximum direct household subsidy from $15,000 to $22,000, which is adjusted thereafter to a home price index. However, the total awards from a bank for the set-aside program would remain capped at $4.5 million under the alternative maximum permissible allocation amount. The support provided by this fund will likely decline over time as rising mortgage rates and home prices erode its purchasing power. To prevent erosion of the fund's capacity, the dollar cap should be indexed to grow over time. In addition, prioritizing homeownership and raising banks' required minimum share of total AHP contributions directed to homeownership above 10 percent would provide a more consistent direction for the lending community over the long term to further restore homeownership in America.

Conclusion

A flexible framework for the Affordable Housing Programs of the Federal Home Loan Banks would allow more families to achieve the American Dream by responsibly boosting consumer access to mortgage and construction credit. Additional work must be done to normalize the homeownership rate, which can be accomplished by increasing the stock of affordable housing and prioritizing homeownership.

NAR appreciates the opportunity to provide input and look forward to continuing to work together on these important issues. If you have any questions, please contact me or NAR Senior Policy Representative, Ken Fears, at 202-383-1066 or KFears@REALTORS.org.

Sincerely,

Elizabeth J. Mendenhall

Elizabeth Mendenhall
2018 President, National Association of REALTORS®