

**FHFA Takes Another Stab at GSE Mission  
With New Duty to Serve Rule, Lower Goals**  
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The Obama administration late last week began the process of re-framing the affordable housing mission of Fannie Mae and Freddie Mac by releasing revised goals the two government-sponsored enterprises can probably meet in the near term and starting to flesh out a new “duty to serve” mandate included in last year’s GSE reform legislation.

“Supporting housing affordability continues to be a key mission of the enterprises,” said James Lockhart, director of the Federal Housing Finance Agency. “In the single family area it has become very difficult to do so as the mortgage insurers have continued to shrink their presence. As a result, multifamily lending has become a very important challenge.”

The new “duty to serve” mandate covers three specific markets: manufactured housing, affordable housing preservation and rural areas. It was designed “to increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing in those markets,” according to the FHFA notice of proposed rulemaking.

Fannie and Freddie are required under this new duty to “provide leadership to the market in developing loan products and flexible underwriting guidelines to facilitate a secondary market for mortgages on housing for very low-, low-, and moderate-income families with respect to manufactured housing, affordable housing preservation, and rural markets,” the notice continued.

This new duty requirement would be separate and additional from the GSEs’ obligations under their traditional affordable housing goals. However, “Mortgage purchases that contribute to the affordable housing goals may, under appropriate circumstances, also be considered for the duty-to-serve underserved markets,” the ANPR said. “In addition, an activity or transaction may be considered for more than one underserved market.”

The FHFA is seeking comments on the characteristics and types of transactions and activities that would count toward the duty-to-serve requirement, as well as how these transactions should be evaluated and rated. Comments on the proposed rulemaking, which was published in the Aug. 4 *Federal Register*, are due Sept. 18.

In a separate action, the FHFA released a final rule that waters down the existing affordable housing goals for the GSEs for 2009, partly in response to a conclusion that the targets, including the home-purchase subgoals, were not feasible.

The new rule lowers the low- and moderate-income housing goal from 56 percent to 51 percent and drops the underserved areas housing goal to 37 percent, down from the previous 39 percent. The special affordable housing goal will be lowered from 27 percent to 23 percent.

Three home purchase subgoals are also being reduced to 40 percent for LMI business, 30 percent for underserved areas and 14 percent for special affordable home purchases. Those are down from 47 percent, 34 percent and 18 percent, respectively.

Under the final rule, the GSEs' dollar-based special affordable multifamily housing subgoal levels are actually being adjusted upward to \$6.56 billion for Fannie, and \$4.60 billion for Freddie.

**“We think those numbers are still ridiculously low,” said Judy Kennedy, president and CEO of the National Association of Affordable Housing Lenders, “but we’re pleased that they are at least moving in the right direction.”**