

N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

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Letters to the Editor
The Washington Post
1150 15th Street, NW
Washington, DC 20071

To the Editor:

Your interview with Freddie Mac Chairman John Koskinen (“Another Leg of Freddie Mac’s Long Relay, August 3, 2009”), repeats, unchallenged, the canard that “requests for affordable housing” cost Freddie Mac. This is disappointing since a June 10, 2008 Washington Post article, “How HUD Mortgage Policy Fed the Crisis,” documented how HUD, then the goals regulator for Freddie Mac and Fannie Mae, allowed the companies to ‘game the system’ to their benefit. As the Post put it, “HUD stuck with an outdated policy that allowed Freddie Mac and Fannie Mae to count billions of dollars they invested in subprime loans as a public good that would foster affordable housing.”

The companies’ actions flouted Congressional intent. The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 permitted Freddie Mac and Fannie Mae to “take less than the return earned on other activities” to assist “mortgages on housing for low and moderate income families.”

Rather than taking less of a return during the housing boom, the companies took more of a return on ‘affordable housing’ by issuing over \$400 hundred billion in GSE debt to make a market in financing higher cost, higher yielding subprime mortgages. They helped finance the rapid growth of an unregulated subprime and then Alt-A mortgage market that originated nearly half of all higher-priced home loans, inflating the housing bubble, a bubble that ultimately crashed, pushing the country into recession.

Freddie Mac and Fannie Mae’s current regulator admitted on July 30 “In retrospect it was a perversion of the [HUD] goals process for them [GSEs] to get goals credit for mortgages that were designed to fail.”

The idea that affordable housing is a cost burden, and not a profitable business, has been refuted by the successful track record of Community Reinvestment Act (CRA)-covered lenders who originate responsible, consumer-friendly, but lower yielding mortgages that provide good homes for low and moderate income individuals. If Freddie Mac and Fannie Mae had bought CRA mortgages, they could have satisfied their affordable housing goals, and earned a profit.

Sincerely,

Judith A. Kennedy
President and CEO



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