MISSION ACCOMPLISHED?

GSEs have reduced affordable housing goals

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The good news is Fannie Mae and Freddie Mac recently reported exceeding their multifamily affordable housing goals in 2010. The bad news is their activities are a fraction of what they used to be.

The once mighty mortgage giants were two of the largest low-income housing tax credit (LIHTC) investors and funders of affordable housing mortgages through the mid-2000s, prior to the housing market crash.

Even in the best of times, affordable housing advocates wondered if Fannie and Freddie were doing enough for low-income families. That question continues to dog the companies, which have a duty to provide liquidity and expand opportunities for homeownership and affordable rental housing, as federal officials debate their future.

BY THE NUMBERS

The Federal Housing Finance Agency (FHFA), the regulatory agency that has served as their conservator since 2008, established several goals for the two government-sponsored enterprises (GSEs) in 2010 and 2011—goals that are woefully low in the eyes of some housing leaders and advocates.

For multifamily housing, Fannie Mae reported acquiring 212,768 lowincome units and 53,184 very lowincome units in 2010. This surpasses its given goal to acquire mortgages that finance at least 177,750 lowincome rental units, with a subgoal of acquiring 42,750 very low-income rental units.

Freddie Mac reported acquiring 162,198 low-income units and 30,059 very low-income units last year. This exceeds its goal of acquiring mortgages that finance at least 161,250 low-income rental units and a subgoal of 21,000 very low-income rental units. FHFA, which still needs to validate the numbers, also set several single-family goals for both Fannie and Freddie.

Although the Housing and Economic Recovery Act of 2008 broadened the scope of the goals, it's still clear that the GSEs are doing less than they had been before the market crash.

Between 2001 and 2009, Fannie Mae financed an average of 410,000 multifamily units for low-income families, peaking at 599,000 in 2003. Freddie Mac averaged 331,000 units, peaking at 493,000 units in 2007.

Separate from the housing goals, the GSEs also made up an estimated 40 percent of the LIHTC investment market before their withdrawal around 2008. Their retreat shook the tax credit world, causing prices to plummet.

Fannie and Freddie continue to manage their LIHTC portfolios. In 2009, it was reported that the GSEs were seeking to sell their credits, a move that many feared would disrupt the market. However, a deal did not happen after the Treasury Department directed Fannie not to sell its credits. Continuing overall losses by the companies—about $28 billion last year— have kept the GSEs from buying new credits.

KEEPING A CLOSE WATCH

The latest rules set the bar too low considering what Fannie and Freddie had been doing and what's happening in the market, says Judy Kennedy, president and CEO of the National Association of Affordable Housing Lenders.

She and others called on FHFA to increase the goals last year. Now, with the goals what they are, many are looking ahead to whatever form the GSEs take in the future.

"We'll be working with both parties in both chambers of Congress to get targeted support for affordable rental housing," Kennedy says. "Whether that will be a stand-alone national insurance program for conventional mortgages or incentives to states to do their own multifamily access program is unclear at this point, but that's our thinking for now."

She also stresses that going forward the GSEs "shouldn't have the ability to distort markets and points to the importance of Rep. Carolyn B. Maloney's (D-N.Y.) efforts to curtail the ability of the GSEs to invest in deals that reduce the availability of affordable housing.

Maloney's Responsible GSE Affordable Housing Investment Act of 2010 calls for FHFA to deny affordable housing goals credit when a project's debt is disproportionate to its income. She points to Fannie and Freddie's involvement in the purchase of Stuyvesant Town and Peter Cooper Village in New York City when the plans called for converting rent-regulated apartments to market-rate.

John Taylor, president and CEO of the National Community Reinvestment Coalition, has also been keeping close watch on the GSEs, especially their role in helping families enter the homeownership market. "My biggest concern is they disappear in their entirety in the not too distant future and there's no agency that replaces them with their affordable housing goals," he says.

The role they have played in helping borrowers become new homeowners has been critical.

"It could be disastrous if bluecollar people cannot have their mortgages securitized," Taylor says. "People entering the housing market are going to be the bulk of new homeowners, particularly people of color as the population diversifies."