



Housing Finance Reform FAQ

Why is housing finance reform important?

A strong secondary market is an essential component of our country's housing finance system that must be preserved and fortified to ensure the widespread availability of and ready access to mortgage capital. Federal government support of the secondary market is necessary to ensure the constant and stable flow of capital to all housing markets at all times, including periods of economic downturn.

What are NCSHA's priorities in housing finance reform?

NCSHA calls on the Administration and Congress to seize the opportunity that housing finance reform presents to design a strong, federally backed secondary mortgage market system; establish within that system a powerful commitment to affordable housing; and deploy the highly effective and time-tested HFA delivery system to fulfill this commitment in a safe and sound manner.

We also recommend that housing finance reform more fully realize the affordable housing promise of other parts of our federally supported housing finance system, most notably the Federal Housing Administration (FHA) and its Ginnie Mae securitization platform and the Federal Home Loan Banks. While these entities are making important contributions to affordable housing today, we believe they could do much more, especially by engaging with HFAs in more expansive and advantaged partnerships.

Didn't affordable housing efforts cause Fannie Mae's and Freddie Mac's financial troubles?

No. While Fannie Mae and Freddie Mac purchased some subprime loans, they also made sound affordable housing investments in partnership with HFAs that have performed well and helped address unmet housing needs.

How should the GSEs support affordable housing?

We recommend directing future GSEs to prioritize the use of the proven HFA delivery system to fulfill this commitment in a safe and sound manner, building upon the highly productive partnerships the existing GSEs and HFAs have formed to expand affordable housing opportunity in this country. This duty must not be relegated to a goal to which the system simply aspires without consequence should it fail to fulfill it. It must be an obligation, which entities within the system must meet to continue to receive federal support.

NCSHA also feels strongly that the new secondary market system's effective fulfillment of its affordable housing obligations requires it to integrate wholly within its business culture and throughout its operations a dedication to affordable housing and underserved market financing. The system should pursue these activities broadly and consistently, not as a side or niche business.



Why should the GSEs be expected to support affordable housing—aren't federal housing programs enough?

NCSHA strongly supports federal housing programs, including the Low Income Housing Tax Credit, HOME, Section 8, and the Housing Trust Fund, many of which HFAs administer in their states. However, while the support these programs provide for affordable housing is not insubstantial, it is still wholly inadequate to fully address our nation's critical shortage of affordable housing. Fully addressing our nation's housing needs will require a housing finance system with a deep-seated commitment to supporting financing for affordable housing.

NCSHA is concerned about recent housing finance reform proposals that would support affordable housing solely by having new secondary market entities allocate contributions to the Housing Trust Fund and other affordable housing programs. While such programs are critical, they cannot by themselves match the current level of support for affordable housing provided by Fannie Mae and Freddie Mac through obligations such as the affordable housing goals and Duty to Serve requirements.

What are State HFAs?

HFAs are state-chartered housing agencies that operate in every state, the District of Columbia, New York City, Puerto Rico, and the U.S. Virgin Islands. Though they vary widely in their characteristics, including their relationship to state government, HFAs have in common their public-purpose mission to provide affordable housing to the people of their states who need it.

Why should HFAs be the GSEs' preferred affordable housing partners?

HFAs have proven over many decades that affordable housing lending done right is good lending. HFAs do it right in the case of first-time home buyer lending through a time-tested combination of low-cost financing; traditional fixed-rate, long-term products; flexible, but prudent, underwriting with careful credit evaluation; diligent loan documentation and income verification; down payment and closing cost assistance; homeownership counseling; and proactive servicing. They employ the same kind of discipline in their multifamily housing underwriting and asset management.

State HFAs play an indispensable role in the provision of affordable housing in our country today. They bring statewide perspective and focus, along with a deep understanding of the needs of their local markets. They are in an unparalleled position to ensure that resources are integrated with other public investments in our physical, economic, and human infrastructure.

The critical role HFAs play in responsibly financing affordable housing opportunities has been recognized by the GSEs' regulatory agency, the Federal Housing Finance Agency (FHFA). FHFA's five-year strategic plan for regulating the GSEs instructs both firms to increase their partnerships with state HFAs.