



November 3, 2025

Clinton Jones
General Counsel
Federal Housing Finance Agency
Eighth Floor, 400 Seventh Street, SW
Washington, DC 20219

RE: Comments/RIN 2590–AB59 Enterprise Housing Goals Proposed Rule

Dear Mr. Jones:

The Housing Policy Council¹ (HPC) appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA) proposed rule on the Enterprise (GSE) Housing Goals.² HPC members advocate for access to sustainable and affordable home financing for low- and moderate- income borrowers and, therefore, welcomes FHFA's recognition that elevated target levels can result in unintended consequences that harm borrowers, distort markets, and decrease overall housing affordability.

HPC supports FHFA's proposed interim step to adjust the Housing Goals targets, to address ongoing market distortions.³ In acknowledging the shortcomings and impacts that have unintentionally resulted from current pricing models, fee structures, and market practices from Housing Goals that exceed what the market is able to bear under extreme affordability pressures, FHFA has provided the opportunity to discuss a policy framework that hasn't lived up to its original objective.

As noted in FHFA's Proposed Rule, the mortgage production targets authorized by law are carried out primarily through the cross-subsidization of risk. To achieve the goals measures, the Enterprises offer relaxed underwriting criteria and pricing benefits to some consumers who might not otherwise qualify for a GSE mortgage. To cover the losses associated with these borrowers, the GSEs cross-subsidize, charging lower-risk borrowers a higher guarantee fee, a price that is not commensurate with their risk; likewise, higher-risk borrowers benefit from a lower guarantee fee than is necessary to account for their risk. However, as FHFA also details in its proposal, a number

¹ The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers; mortgage, hazard, and title insurers; and technology and data companies. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth-building for families. For more information, visit www.housingpolicycouncil.org.

² 85 Fed. Reg. 245 (December 21, 2020).

³ While HPC is not addressing the goals levels in this letter, we suggest that the buffers be revisited. The introduction of the "enforcement factor" buffers helped alleviate risk of the GSEs chasing goals that were no longer reachable following interest rate shifts. Without those buffers, this risk is still particularly present for the unadjusted proposed low-income refinance goal if rates fall and there is a substantial enough refinance rally. The proposed rule discusses the "inverse relationship" between performance on this goal and the overall volume of refinance loans in the market, and the actual market level for that goal has ranged from 21% to 40.3% in just the last five years.

of market factors, including an inelastic housing supply, exacerbate the negative impact of the continued subsidization of mortgage rates and fees. The subsidization has had the counter-productive effect of boosting home prices and amplifying the affordability crisis. In other words, making it less expensive to borrow money to purchase a commodity in short supply (houses) has resulted in added demand, higher home prices, and a decreased number of mortgage transactions that the GSEs could purchase to meet the mandatory Housing Goals. The net effect is that the subsidies do not benefit homebuyers, but in fact, harm them.

Further, credit risk is not a precise or an inherently reliable proxy for borrower income; as a result, cross-subsidization is provided to borrowers who aren't low- or even moderate-income. As is clear in the proposed rule itself, around 70 percent of the loans that qualify for the Low-Income Area Home Purchase will likely be made to borrowers at or above the area median income.⁴ This outcome raises significant questions about whether this policy is an efficient use of government directed subsidy. This outcome is all the more troubling, relative to the size of the subsidy. The Impact Analysis for the proposed rule says that three of the Housing Goals - Low-Income, Very-Low Income, and Low-Income Area - are subsidized by the Enterprises at a cost of almost \$500 million a year.⁵ Yet, the US homeownership rate has only increased 1% since 1992, the year the Housing Goals Framework was passed into law.⁶

Legislative Considerations

HPC appreciates that FHFA's proposed rule is an improvement in the current regime. Yet HPC continues to advocate for a more complete rethinking of the statutory construct for using the GSEs to accomplish public policy goals aimed at affordable home ownership. While outside the specific issues raised in the proposed rule, we want to highlight several ways in which the current framework could be improved with legislative action.

Since the current framework of subsidizing upfront costs in the form of waivers to loan level pricing adjustments is not an efficient way to help low- to moderate-income borrowers, it would be helpful if the GSEs had additional flexibility to tailor subsidies to best fit the needs of borrowers through direct financial support. Not only would this provide access to families previously excluded from the economic benefits and stability that comes with homeownership, it also would reduce the risk of these transactions by increasing those families' liquid assets. Examples of this form of direct financial support would include funds for a down payment and closing costs to boost the initial equity position of the borrower, buying down the rate and/or shortening the loan amortization period to enhance equity and wealth building, creating post-closing reserves to provide adequate cash availability for possible future financial hardship, or other borrower-focused assistance. If Congress were to make this legislative fix to the Enterprise housing goals statute – to permit directed borrower support, perhaps using the same definitions for Housing Goal eligible transactions that is in the statute and Proposed Rule – the result could be a more efficient, transparent, and accountable mechanism for supporting the GSEs' affordable housing objectives.

Additional legislative issues that Congress (and FHFA) should consider when contemplating the GSE role in affordable housing include the statutory fees the GSEs pay towards

⁵ FHFA "Significant Regulatory Action [Assessment](#) and Regulatory Impact Analysis for 2026-2028 Enterprise Housing Goals Proposed Rule."

⁶ The State of the Nation's Housing [2024](#), Joint Center for Housing Studies of Harvard University

HUD's Housing Trust Fund and Treasury's Capital Magnet Fund, which helps CDFIs. This 4.2 basis point fee is intended to promote affordable access, yet the loans originated by this subsidy are not considered when setting the Enterprise Housing Goals. The GSEs may be subsidizing affordable production via other channels and then in turn competing for such production.

Another statutory assessment on the GSEs does not provide any support to housing. For years now, the GSEs have paid a 10-basis point fee to Treasury on all single-family loan originations, initially required by the Temporary Payroll Tax Cut Continuation Act of 2011 and then continued in 2021 to help fund the Infrastructure Investment and Jobs Act. Congress should revisit this fee, now or at its current expiration, as it is a tax on homebuyers without any benefit relating to housing. If collected at all, this funding should be used for risk management or other housing-related purposes, not as a piggybank for unrelated priorities. Removing this statutory fee on the GSEs would lower mortgage rates, which could help promote affordability during this challenging housing market.

Transparency of Enterprise Housing Goals Outcomes

Any attempt to measure the success of the housing goals regime should focus on loan performance, not simply loans originated. It makes no sense to encourage lending that results in elevated levels of borrower defaults. Yet we continue to evaluate the housing goals solely by reference to loan production, not loan performance.

Therefore, HPC recommends that FHFA implement a simple improvement to the Housing Goals framework to provide ongoing market confidence by publishing the historical performance of qualifying loans. A natural place to include this data would be as part of its Annual Housing Report or the Annual Report to Congress with a section on the risk characteristics and the current and historical performance of loans that receive housing goals credit. Making historical loan performance public and providing ongoing, annual updates for each production year would allow stakeholders to compare the performance of loans across the Enterprise book of business over time and to other loan products like FHA, USDA, and VA mortgages.

Providing this data would help to inform future Enterprise housing goal rulemakings and reveal performance issues that should be addressed through changes to underwriting policy, such as limits on risk-layering. To align housing goal measurements with sound risk management, FHFA could consider excluding from goals-credit any loans with early payment defaults or loans that become seriously delinquent within the first year. Homeowners who experience payment difficulties early in their mortgages, this is a reasonable indicator that the loans were not sustainable for those borrowers, and excluding those loans from receiving Housing Goals credit would provide an incentive for the Enterprises to determine that the loans they purchase are appropriate to support FHFA's core responsibility to support the US housing finance system in a safe and sound manner.⁷

HPC Supports Setting the Housing Goal Benchmarks at Appropriate Levels

If the Housing Goals targets are set at levels that are beyond what the market is capable of producing, it can lead to significant market distortions. As recently as 2023, the Housing Goals

⁷ U.S. Federal Housing [Strategic Plan](#) for 2026-2030

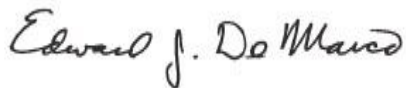
targets exceeded what was available in the market. FHFA made this determination in 2024 when it wrote that “considering the financial condition of the Enterprise, macroeconomic conditions, feedback from stakeholders during the year, and the liquidity and stability of the housing market, the low-income and very low-income home purchase goals were not feasible...to achieve for 2023.”⁸ While the prior FHFA administration could have revised the Housing Goals benchmarks to better align with market capabilities, as is allowable in the regulation, its failure to reset benchmarks at levels that were reasonably achievable resulted in the Enterprises engaging in an extreme bidding war for a finite number of Housing Goals loans.

As noted by FHFA in the Proposed Rule, this is the exact type of gamesmanship that produces market distortions that can harm borrowers through pricing increases or manage down the ‘denominator’ of total loans purchased and leaving some hardworking American families unable to purchase homes (i.e., not originating higher returning loans which are used to pay for all subsidized loans).

Conclusion

We appreciate the opportunity to comment on the Proposed Rulemaking and thank you for your consideration of HPC’s recommendations.

Yours Truly,

A handwritten signature in black ink that reads "Edward J. DeMarco". The signature is written in a cursive, slightly slanted style.

Edward J. DeMarco
President
Housing Policy Council

⁸ FHFA Annual Housing Report, October 30, 2024.