

Housing Finance Principles

The National Housing Conference has brought together this coalition around the need to restore balance to our housing finance system. The need for reliable sources of mortgage capital in the wake of the 2008 financial crisis and the growing housing needs of Americans both demand careful but timely federal action. We need to build on what has worked to keep housing markets functioning in the wake of the crisis and fix the parts that didn't work. In modernizing the housing finance system, we should reaffirm the goal of the 1949 Housing Act: "a decent home in a suitable living environment for all Americans" as we address the enormous affordable housing needs in this country.

Restoring the balance between private risk-bearing capital and the government guarantee is essential. Doing so will require a careful transition that allows public and private participants to adjust along the way as we measure the results from changes.

An updated housing finance system must find ways to harness the creativity and energy of the private sector to provide homes for people across this country: in cities, suburbs, and rural areas; in houses, apartments, and manufactured homes; for old and young, renters and owners, singles and families, of all backgrounds. Serving the housing needs of all in America can and should be profitable business. The twin themes of housing need and private enterprise are what unify our broad coalition of housing stakeholders.

About the National Housing Conference

The National Housing Conference (NHC) represents a diverse membership of housing stakeholders including tenant advocates, mortgage bankers, nonprofit and for-profit home builders, property managers, policy practitioners, real estate agents, equity investors, and more, all of whom share a commitment to safe, decent and affordable housing for all in America. We are the nation's oldest housing advocacy organization, dedicated to the affordable housing mission since our founding in 1931. As a nonpartisan, 501(c)3 nonprofit, we are an evidence-based research and education resource working to advance housing policy at all levels of government in order to improve housing outcomes for all in this country.

How to Restore Balance in the Housing Finance System

Our coalition endorses the following several principles as necessary parts of any housing finance reform:

1. Establish a government guarantee of mortgage-backed securities (MBS) to attract private capital

- ▶ Guarantees only the securities, not issuing entities
- ▶ Attracts the necessary volume of private risk-bearing private capital for mortgages
- ▶ Ensures access to long-term mortgage credit for both rental and homeownership options, every day and in every community
- ▶ Creates liquidity and stability, so that ups and downs of capital markets do not disrupt families' housing choices
- ▶ Reduces the cost of mortgage credit for all

2. Protect taxpayers with layers of capital and a carefully structured federal role

- ▶ Guarantee must be explicit, fully priced, and limited in scope
- ▶ Several layers of capital must stand before any taxpayer exposure
- ▶ Transition period must allow new market participants to acquire sufficient capital to adequately protect taxpayers

3. Ensure affordable mortgage credit to serve housing needs of all homeowners and renters in America

- ▶ Sustain the 30-year fixed rate mortgage
- ▶ Address the intertwined primary and secondary markets which should be engineered to serve as broad a market as is possible profitably
- ▶ Ensure that all qualified borrowers and renters are served regardless of geography, income, housing type, and racial or ethnic background
- ▶ Address the under-served: rural areas, subsidized rental housing, smaller rental properties, communities of color, manufactured housing, areas of economic distress and other hard-to-serve communities
- ▶ Sustain FHA, USDA, and VA in their critical everyday and counter-cyclical roles, but without making them the sole source of mortgage capital to particular markets
- ▶ Ensure the availability of effective pre-purchase and post-purchase housing counseling at a reasonable cost

4. Allow equal access for many lenders by maintaining multiple capital channels

- ▶ All lenders, regardless of size, should have equitable access to the efficiency of the secondary market
- ▶ The Federal Home Loan Banks are a proven channel for smaller lenders to access the capital markets freely and without unwarranted conditions
- ▶ The secondary market should connect to proven alternative lending channels that reach low-income borrowers: housing finance agencies, community development financial institutions, credit unions, specialized nonprofit lenders, and community banks

5. Build on proven success in multifamily mortgage finance

- ▶ Ensure adequate liquidity for multifamily mortgages as part of any changes made
- ▶ Maintain the successful Fannie Mae and Freddie Mac multifamily businesses in the meantime
- ▶ Create distinct regulatory oversight to ensure transparency and efficiency
- ▶ Ensure a commitment to affordable rental housing by issuers who use the guarantee

6. Maintain strong regulation and consumer protection

- ▶ Empower regulating agencies to promote proper oversight and accountability, with an overall goal of meeting the nation's housing needs
- ▶ Ensure transparency by collecting and publishing data on all mortgage activity to guide decision-making
- ▶ Ensure consumer protection for renters and homeowners
- ▶ Require participants in the system to establish sufficient balance sheet capability to support securities after they have been issued

7. Supplement the housing finance system with targeted housing assistance mechanisms

- ▶ Fund the National Housing Trust Fund and the Capital Magnet Fund, already in law
- ▶ Create a Market Access Fund to share the risk of new product development and piloting, to help private enterprises develop more effective ways to direct capital to underserved households and communities
- ▶ Ensure that these mechanisms complement an overall commitment to serve housing needs broadly

8. Keep what works from the Fannie Mae and Freddie Mac platforms

- ▶ Efficient securitization of mortgages that lower housing costs for consumers
- ▶ Standardization of mortgage servicing, MBS documents, and processes to clarify requirements and reduce costs for borrowers, investors, and lenders
- ▶ Strong underwriting standards to prevent a race to the bottom in which credit providers compete by lowering credit quality
- ▶ A To Be Announced (TBA) market that allows consumers to lock rates and lower costs
- ▶ Ability of originators, particularly small ones, to sell loans individually or in small numbers for cash

Approved by NHC Board of Governors on December 24, 2013.