



GSE Activity Report

Wednesday, August 18, 2021

Seeking Housing That's Not Just Affordable, but Also Just

Summary

As we anticipated when Sandra Thompson [took over](#), FHFA's [newly-proposed approach](#) to the GSEs' affordable-housing goals tackles longstanding criticism that the old measurement criteria promoted gentrification. Adopting a policy also pending in the banking agency's [CRA rewrite](#), the replacement goals emphasize loans targeted expressly for minorities and/or low-income census tracts. However, the new goals do not include specific targets for small-dollar mortgages as some groups have urged and will surely press for again in their comments. And, as Senate Banking Chairman Brown's [statement today](#) makes clear, they also position Thompson as a frontrunner for permanent FHFA director.

Impact

FHFA's proposal covers the GSEs' housing goals from 2022 through 2024. It implements the agency's broader [affordable-housing rules](#), setting performance benchmarks as well as new subgoals. While broader subgoals might have been possible under current rules, FHFA may well have decided to defer the larger rewrite pressed by the President's racial-equity [executive order](#) to get these benchmarks out in time for 2022.

The principal difference between the minority and low-income subgoals differentiates minority borrowers by income. Minority-tract credits cover loans only to minority borrowers with area median income (AMI) less than 100%; the low-income subgoal covers both low-income and minority tracts and loans to minority borrowers with AMIs above 100%. Benchmark multi-family goals are not substantively changed but increased along with the overall hike in the agency's single-family goals.

The NPR includes an interesting and in some cases even suggestive analysis of public input in this area. Although the NPR *per se* does not justify the new subgoals, the assessment of comments makes it clear that FHFA data found that the current system may support loans that may well not be for low/moderate-income buyers in gentrifying areas. We have long anticipated that new goals would reflect growing political demand for greater minority refi opportunities. However, the GSEs in April added new, targeted streamlined-refi options, apparently satisfying FHFA on this front. FHFA's July end to adverse-market fees also settles the question of whether loans with LLPAs should count with the NPR, also detailing efforts the agency has undertaken so far to tackle the racial home-ownership/wealth gap.

Outlook

Comments to FHFA are due sixty days after the proposal is published in the *Federal Register*. If we had to bet, it will only get more demanding in final form.