

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT****24 CFR Part 81**

[Docket No. FR-4960-A-01]

RIN 2501-AD12

**HUD's Regulation of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac): GSE Housing Goals—Advance Notice of Proposed Rulemaking**

**AGENCY:** Office of the Assistant Secretary for Housing—Federal Housing Commissioner.

**ACTION:** Advance Notice of Proposed Rulemaking (ANPR).

**SUMMARY:** Elsewhere in today's **Federal Register**, HUD is publishing its final rule that establishes new housing goals for Fannie Mae and Freddie Mac for the years 2005 through 2008. An issue raised by commenters during the public comment period on the proposed rule, but not included as a regulatory provision in the final rule published in today's **Federal Register**, concerns the feasibility of the housing goals for Fannie Mae and Freddie Mac during a period when refinances of home mortgages constitute a large share of the mortgage market. This ANPR advises of HUD's intention to consider a regulatory provision that recognizes and takes into consideration the impact of high volumes of refinance transactions on the GSEs' ability to achieve the housing goals in certain years, and solicits proposals on how such a provision should be structured and implemented.

**DATES:** *Comment Due Date:* December 17, 2004.

**ADDRESSES:** Interested persons are invited to submit comments regarding this advance notice of proposed rulemaking to the Rules Docket Clerk, Office of General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410-0500. Communications should refer to the above docket number and title. Facsimile comments are not accepted. A copy of each communication submitted will be available for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above referenced address.

**FOR FURTHER INFORMATION CONTACT:**

Sandra Fostek, Director, Office of Government Sponsored Enterprises, Office of Housing, Room 3150, telephone (202) 708-2224. For questions on data or methodology, contact John L.

Gardner, Director, Financial Institutions Regulation Division, Office of Policy Development and Research, Room 8212, telephone (202) 708-1464. For legal questions, contact Paul S. Ceja, Deputy Assistant General Counsel for Government Sponsored Enterprises/RESPA, Office of the General Counsel, Room 9262, telephone (202) 708-3137. The address for all of these persons is Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC, 20410. Persons with hearing and speech impairments may access the phone numbers via TTY by calling the Federal Information Relay Service at (800) 877-8399.

**SUPPLEMENTARY INFORMATION:****Background**

Elsewhere in today's **Federal Register**, HUD is publishing a final rule that sets new housing goal levels for Fannie Mae and Freddie Mac (collectively the government-sponsored enterprises or GSEs) (Housing Goals final rule). The new housing goal levels are established in accordance with the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA) and govern the purchase by Fannie Mae and Freddie Mac of mortgages financing low- and moderate-income housing, special affordable housing, and housing in central cities, rural areas, and other underserved areas. The new goal levels are applicable for the years 2005 through 2008, and are accompanied by new subgoals for the GSEs' acquisitions of home purchase loans that qualify for each of the housing goals.

The Housing Goals final rule follows publication of a May 3, 2004, proposed rule (69 FR 24228) and takes into consideration the public comments received on the proposed rule. The preamble to the Housing Goals final rule provides a more detailed discussion of the May 3, 2004, proposed rule, the changes made at the final rule stage, the significant issues raised by public commenters on the proposed rule, and the Department's responses to those issues. One issue raised by several public comments, and not addressed in the Housing Goals final rule as a regulatory change, concerns the feasibility of the GSEs achieving the housing goals during a period when there is a high volume of home mortgage refinances.

Some public commenters expressed concerns that the housing goals would be unattainable in a high refinance environment, when a large portion of the mortgage market consists of refinance loans rather than home purchase mortgages. These commenters suggested that HUD should take into

consideration the potential effects of a high refinance environment on the GSEs' ability to meet the housing goals. Some commenters suggested that refinance mortgages should be excluded from the goals calculation, while others suggested that the GSEs should be expected to meet the goals without special consideration of a high refinance environment. Several commenters suggested that the Housing Goals final rule should include a specific mechanism to take into account changes in market conditions resulting from a high refinance volume. The comments on the possible impacts of a high refinance environment are highlighted in more detail in the preamble to the Housing Goals final rule.

**This ANPR**

As stated in the preamble to the Housing Goals final rule and as stated in this ANPR, HUD has decided to consider, as a specific regulatory provision, the feasibility of the GSEs meeting the housing goals in a high refinance environment through a separate rulemaking, which consideration begins with publication of this ANPR.

HUD did not propose, in the May 3, 2004, proposed rule, a regulatory mechanism to address the impact of a high refinance environment on the ability of the GSEs to meet their annual housing goals in years in which there is a high refinance environment. HUD believes that it would benefit from additional public input on this issue. HUD recognizes, from prior years, that a period of high refinance volume can make it more challenging for the GSEs to attain the housing goals. Until this rulemaking is completed, the GSEs are not without relief in a high refinance environment under existing authority. FHEFSSA provides a mechanism by which HUD can take into consideration market and economic conditions that may make the achievement of housing goals infeasible in any given year. (*See* 12 U.S.C. 4566(b).) It is contemplated, however, that a more efficient mechanism could be devised for dealing with high refinance volumes under the housing goals.

HUD is soliciting public comment on how it might add a regulatory provision that accommodates a high refinance environment under the housing goals. Refinancing of mortgages promotes homeownership by helping families to finance their homes on a more affordable basis, and also by providing an opportunity to families who have bought their homes through subprime financing to move into the prime market as they improve their credit rating.

Through this ANPR, HUD solicits proposals on an appropriate regulatory mechanism to address the impact of a high refinance environment on the ability of the GSEs to meet housing goals for any year that is characterized by a high refinance environment. HUD

especially solicits proposals that are sufficiently descriptive and detailed concerning any methodology or calculation offered, and HUD also encourages the inclusion of examples that illustrate how the commenter's proposal would work in practice.

Dated: October 22, 2004.

**John C. Weicher,**

*Assistant Secretary for Housing—Federal Housing Commissioner.*

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