



# Archives

## HUD Archives: News Releases

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**For Release**

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### **CUOMO ANNOUNCES ACTION TO PROVIDE \$2.4 TRILLION IN MORTGAGES FOR AFFORDABLE HOUSING FOR 28.1 MILLION FAMILIES**

[See full chart of higher goals by metropolitan area](#)

WASHINGTON - Housing and Urban Development Secretary Andrew Cuomo today announced a policy to require the nation's two largest housing finance companies to buy \$2.4 trillion in mortgages over the next 10 years to provide affordable housing for about 28.1 million low- and moderate-income families.

Cuomo said the historic action by HUD raises the required percentage of mortgage loans for low- and moderate-income families that finance companies Fannie Mae and Freddie Mac must buy from the current 42 percent of their total purchases to a new high of 50 percent - a 19 percent increase - in the year 2001. The percentage will first increase to 48 percent in 2000.

Commenting on the action, President Clinton said: "During the last six and a half years, my Administration has put tremendous emphasis on promoting homeowners and making housing more affordable for all Americans. Our housing programs and institutions have been a success. Today, the homeownership rate is at an all-time high, with more than 66 percent of all American families owning their homes. Today, we take another significant step. Raising the GSEs goals will help us generate increased momentum in addressing the nation's housing needs. I congratulate HUD Secretary Andrew Cuomo and the entire HUD team on their efforts in this important area."

"This action will transform the lives of millions of families across our country by giving them new opportunities to buy homes or move into apartments with rents they can afford," Cuomo said. "It will strengthen our economy and create jobs by stimulating more home construction, it will help ease the terrible shortage of affordable housing plaguing far too many communities, and it will help reduce the huge homeownership gap dividing whites from minorities and suburbs from cities."

The mortgage purchase requirement for Fannie Mae and Freddie Mac - known as the Affordable Housing Goals - was last set by HUD in 1995, under a requirement mandated by Congress. The goals came up for renewal this year, and HUD had the choice of leaving them unchanged, lowering them, or raising them. In addition to helping low- and moderate-income families, the new initiative will also increase the affordable housing goals for loans made to underserved areas and will raise the goal for mortgages to benefit families with very low incomes.

Under the higher goals, Fannie Mae and Freddie Mac will buy an additional \$488.3 billion in mortgages that will be used to provide affordable housing for 7 million more low- and moderate-income families over the next 10 years. Those new mortgages and families are over and above the \$1.9 trillion in mortgages for 21.1 million families that would have been generated if the current goals had been retained.

Fannie Mae and Freddie Mac buy mortgages for both individual homes and for apartment buildings.

Fannie Mae Chairman Franklin D. Raines joined Cuomo at the news conference in which Cuomo announced the HUD action. Raines committed Fannie Mae to reaching HUD's increased Affordable Housing Goals.

Others attending the news conference to express support for the new Affordable Housing Goals were National Association of Home Builders President Charles Ruma and Enterprise Foundation CEO Bart Harvey.

In addition, higher Affordable Housing Goals for Fannie Mae and Freddie Mac have been sought by the U.S. Conference of Mayors, the National Low-Income Housing Coalition, FM Watch and other groups.

Congress gave HUD the responsibility of regulating Fannie Mae and Freddie Mac because the two companies are Government Sponsored Enterprises (GSEs) that were chartered by Congress. The policy announced today will be implemented by HUD regulations. Such regulations go into effect after review by Congress and the Office of Management and Budget, along with a period of full public comment.

The GSEs buy mortgages issued by banks, thrift institutions and other mortgage lenders, and then package the loans and sell them to investors as mortgage-backed securities. When Fannie Mae and Freddie Mac buy the mortgages from lenders, they provide the lenders with the cash needed to issue new mortgages.

Congress has given GSEs special advantages - such an exemption from all state and local taxes except property taxes, and an exemption from Securities and Exchange Commission registration requirements. In addition, the ties of the GSEs to government has helped them get the highest credit rating to reduce their borrowing costs, and has boosted investor confidence in the two companies, thereby helping to increase their earnings. The Treasury Department reports that the benefits of federal sponsorship are worth almost \$6 billion annually to the GSEs.

The GSEs are publicly chartered to provide broad public benefits. Congress, through Fannie Mae's and Freddie Mac's Charter Acts and the 1992 GSE Act, required that the two GSEs, in return for their publicly provided benefits, extend the benefits of the secondary mortgage market to a broad range of Americans. These include low- and moderate-income families, first-time homebuyers, and residents of communities underserved by mortgage credit.

If Fannie Mae and Freddie Mac fail to make a good faith effort to achieve the Affordable Housing Goals set by HUD, the Secretary of HUD has the authority to impose civil money penalties of up to \$10,000 for each day the failure occurs.

Families are considered as having low and moderate incomes if they make no more than the area median income, which varies by community. The national average for the median income is \$47,800.

In addition to raising the low- and moderate-income goal from 42 percent to 50 percent, HUD acted to raise two other Congressionally mandated goals. A special affordable housing goal for families with very low incomes and low incomes (those with less than 60 percent and 80 percent of area median) jumps from the current 14 percent to 20 percent (a 43 percent increase). In addition, a geographically targeted goal for underserved areas (central cities, rural areas, and underserved communities based on income and minority concentration) goes from 24 percent to 31 percent (a 29 percent increase).

The increase in the Affordable Housing Goals is part of the Clinton Administration's overall strategy to increase homeownership and the supply of affordable rental housing in the United States.

America's homeownership rate hit a record annual high in 1998, with 66.3 percent of all households owning their own homes. A total of 69.1 million families owned homes at the end of 1998 - 7.3 million more than when President Clinton took office in 1993. However, the homeownership rate varies a great deal between cities and suburbs, and between whites and minorities, as the chart below shows:

HOMEOWNERSHIP RATE	1998
NATION OVERALL	66.3
WHITE (non-Hispanic)	72.6
BLACK (non-Hispanic)	46.1
HISPANIC	44.7
CENTRAL CITIES	50.0
SUBURBS	73.2

The higher Affordable Housing Goals will disproportionately benefit minorities and city residents, helping to close the homeownership gap, Cuomo said.

In addition, the higher Affordable Housing Goals will help ease the crisis-level shortage of affordable housing documented by a HUD report issued in March. That report found that the number of families earning less than 50 percent of the area median income and either paying over half their incomes for rent or living in severely substandard housing remains at the record level of about 5.3 million

**COMMENTS ON HUD ACTION TO PROVIDE \$2.4 TRILLION IN MORTGAGES FOR AFFORDABLE HOUSING FOR 28.1 MILLION FAMILIES**

**Sheila Crowley, President, The National Low Income Housing Coalition** -- "The National Low Income Housing Coalition welcomes the news.... The goals provide Fannie Mae and Freddie Mac the opportunity to join the resources and potential of the capital markets with the rental housing needs of the very poor.... Raising the goals will help to narrow the homeownership gap for minorities, women, and lower income Americans as well as lead to continued innovation in single and multifamily housing finance."

**Cushing N. Dolbeare, Housing Policy Consultant, Founder and Chair Emeritus, National Low Income Housing Coalition** called the announcement "good news to everyone who cares about increasing rental housing production and broadening access to homeownership, particularly for people of color.... The goals that expire this year marked a major step toward broadening the benefits of the secondary market and increasing the current rate of home ownership to historic highs. It is heartening that the new goals will build on this experience and that this major commitment is now being made."

**Jesse Norwood, President of the National Conference of Black Mayors** - "The National Conference of Black Mayors clearly understands that there exists a major affordable housing crisis in America and stands with HUD and Fannie Mae in support of

affordable housing goals."

**J. Thomas Cochran, Executive Director, The U.S. Conference of Mayors** -- "HUD and Fannie Mae have responded to our call to provide greater access to loans by Americans looking to own their first home."

**Bart Harvey, Chairman & CEO, The Enterprise Foundation** -- "All of this is good news for low- and moderate-income families and reaffirms Fannie Mae's aggressive outreach to those most in need. We salute the good news and most of all the hundreds of thousands of families that will be effected by having a decent, affordable place to live."

**Mike House, Executive Director, FM Watch, a GSE watchdog group** -- "Secretary Cuomo has shown extraordinary leadership on this issue. This is an important and necessary step HUD has taken."

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