



Under the leadership of Fannie Mae CEO Tim Mayopoulos (left) and MassHousing Executive Director Tom Gleason, MassHousing and Fannie Mae have partnered to bring more affordable home mortgage loans to Massachusetts residents than ever before.

The value of a good partnership: Fannie Mae, MassHousing join forces to put affordable home loans within reach for thousands

Historically, federal regulations have constrained how much Housing Finance Agencies (HFAs) can lend each year for homeownership. But the reality is that the demand for affordable mortgages exceeds what HFAs can provide using traditional means.

"In order to make sure we would have adequate capital to lend to as many homebuyers as possible, it was clear we needed a partner," said MassHousing Executive Director Tom Gleason. MassHousing was one of the first of a core group of state HFAs that saw the potential of a joint effort with Fannie Mae. Eventually, with the support of the National Council of State Housing Agencies, 25 HFAs and Fannie Mae reached an agreement that dramatically increased the amount of capital in the market for affordable home mortgage loans.

Under the agreement, Fannie Mae provides critical financing to HFAs by purchasing high-performing loans at competitive rates and terms. As a result, MassHousing and other HFAs have been able to offer low-cost loan products that are not available in the conventional market.

"We help HFAs meet the affordable housing needs of the communities they

serve. We do this by granting participating members access to a suite of Fannie Mae mortgage lending options designed to help them bridge the affordable housing gap in their respective states," said Fannie Mae CEO Timothy J. Mayopoulos. "This is a mutually beneficial partnership that is helping to strengthen the housing market."

In fiscal year 2012, the value of the partnership took on even greater significance. With conventional lenders continuing to tighten their standards, more and more potential homebuyers found themselves on the sidelines, even consumers with good credit. Additionally, many homeowners were unable to refinance.

"Today it is widely accepted that we will not have a full economic recovery unless we have a full housing recovery," said MassHousing's Gleason. "In order to have that housing recovery, we need to make sure that people with good credit can get a home loan, even if they don't have a lot for a downpayment, because history shows they are a very good credit risk."

In 2012, MassHousing and Fannie Mae revised their agreement to reduce expenses for consumers by leveraging

MassHousing's innovative Mortgage Insurance Fund, even with a downpayment of as little as 3%. This innovation was largely responsible for MassHousing's record lending year, and it helped thousands of qualified homebuyers and homeowners.

"In our view, too many lenders went too far in tightening their standards after 2008," said Gleason. "But Fannie Mae stepped up. Thanks to them we can offer an affordable loan with a minimal downpayment, and we know from experience that these will be successful homeowners."

Fannie Mae's Mayopoulos said, "We value our partnership with HFAs such as MassHousing. HFAs demonstrate every day that it is possible to lend responsibly to people with modest incomes, and we are pleased to be partners in helping to make that possible."