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M E M O R A N D U M

To:	**Hon. William J. Pulte, Director, US Federal Housing**
From:	**Andrew Langer, Director, Center for Regulatory Freedom**
Date:	**January 18, 2026**
Re:	**Comments to the Federal Housing Finance Agency in Response to an Information Collection Request, "Proposed Collection; Comment Request: \`Affordable Housing Program," Docket No. 2025-N-9, Fed. Reg. 2025-20123, Published on November 18, 2025**

Below are comments of the American Conservative Union Foundation's (d/b/a. Conservative Political Action Coalition Foundation) (hereinafter "CPAC Foundation") Center for Regulatory Freedom (hereinafter "CRF"), in response to a Federal Housing Finance Information Collection Request, "Proposed Collection; Comment Request: \`Affordable Housing Program," Docket No. 2025-N-9, Fed. Reg. 2025-20123, published on November 18, 2025.

CRF is a project of the CPAC Foundation, a non-profit, non-partisan 501(c)(3) research and education foundation. Our mission is to inject a common-sense perspective into the regulatory process, to ensure that the risks and costs of regulations are fully based on sound scientific and economic evidence, and to ensure that the voices, interests, and freedoms of Americans, and especially of small businesses, are fully represented in the regulatory process and debates. Finally, we work to ensure that regulatory proposals address real problems, that the proposals serve to ameliorate those problems, and, perhaps most importantly, that those proposals do not, in fact, make public policy problems worse.

Introduction

The Center for Regulatory Freedom (CRF), a project of the CPAC Foundation, respectfully submits these comments in response to the Federal Housing Finance Agency's proposal concerning community support requirements and the administration of Affordable Housing Programs within the Federal Home Loan Bank system. CRF's mission is to promote regulatory discipline, ensure that federal policy addresses real and clearly defined problems, and prevent well-intentioned interventions from producing unintended economic consequences. In particular, CRF focuses on the intersection of regulation, market incentives, and long-term affordability for American households.

CRF's work is grounded in the principle that sound regulation must be informed by economics, competition, and institutional design rather than aspirational targets alone. Policies that seek to expand access or improve affordability must be evaluated not only by their stated objectives, but by how they alter incentives, affect prices, and distribute risk across markets and institutions. History demonstrates that policies which weaken market signals or rely disproportionately on demand-side interventions often fail to deliver durable affordability and can, over time, make underlying problems worse.

CRF has a longstanding interest in housing finance policy and the structure of federal involvement in mortgage markets. Our prior work has emphasized the importance of risk-based underwriting, transparent pricing, and competitive neutrality in promoting sustainable access to credit. We have consistently cautioned against regulatory frameworks that substitute compliance metrics or subsidy volumes for outcome-based measures such as repayment sustainability, price stability, and market resilience.

The Federal Housing Finance Agency plays a central statutory role in overseeing the housing finance system. As regulator and supervisor of the Federal Home Loan Banks, FHFA is charged with ensuring the safety and soundness of the system while also administering statutory Affordable Housing Programs intended to support low- and moderate-income households. FHFA's decisions therefore have system-wide implications not only for housing access, but for liquidity provision, risk allocation, and financial stability across a broad range of member institutions.

CRF recognizes and respects FHFA's statutory mandate to encourage housing finance activities that serve underserved communities. We also acknowledge the importance of the Federal Home Loan Bank system as a source of stable, countercyclical liquidity for its members, particularly community banks and credit unions that play a vital role in local housing markets. Precisely because the FHLB system serves as a foundational financial backstop, policies that condition access to that system warrant careful scrutiny.

CRF's concern is not that the proposal seeks to improve access to homeownership, nor that it reflects improper motives. Rather, our concern is structural and economic. The proposal relies primarily on demand-side incentives—such as conditioning access to liquidity and subsidies on affordable housing participation—without addressing the persistent supply constraints that are the dominant driver of housing affordability challenges in many markets.

When demand-side incentives are expanded in supply-constrained environments, the predictable result is not lower prices, but higher prices. Down-payment assistance, closing-cost subsidies, and expanded credit access increase purchasing power and bidding capacity, which are then capitalized into home prices when housing supply cannot respond. This dynamic risks leaving overall affordability unchanged or worsened, even as individual households temporarily gain access.

Moreover, by conditioning access to core liquidity facilities on specific lending activities, the proposal risks redistributing housing risk rather than reducing it. Such an approach can weaken market-based risk signals, encourage marginal lending to meet compliance objectives, and shift exposure from private balance sheets to the broader system. These effects may be subtle in the short term, but they accumulate over time and can undermine the very stability and affordability the policy seeks to promote.

For these reasons, CRF urges FHFA to evaluate this proposal not only through the lens of access and participation, but through its effects on prices, incentives, competition, and long-term sustainability. True affordability is achieved by expanding housing supply, preserving disciplined risk pricing, and ensuring that federal policy reinforces—rather than overrides—the economic mechanisms that support durable homeownership and financial stability.

Executive Summary

The Center for Regulatory Freedom (CRF) submits these comments to evaluate the Federal Housing Finance Agency's proposal governing community support requirements and the administration of Affordable Housing Programs within the Federal Home Loan Bank (FHLB) system. CRF recognizes FHFA's statutory responsibility to promote access to housing finance for low- and moderate-income households while ensuring the safety and soundness of the housing finance system. We further acknowledge the important role the FHLB system plays in providing stable liquidity to member institutions, particularly community banks and credit unions that serve local housing markets.

While the proposal is well-intentioned, CRF is concerned that its design relies predominantly on demand-side incentives without addressing the structural supply constraints that are the principal drivers of housing affordability challenges. As a result, the proposal is unlikely to reduce home prices and may, in practice, place upward pressure on entry-level housing costs while redistributing risk within the housing finance system. Affordability policies that expand purchasing power without expanding housing supply tend to raise prices, weaken market discipline, and produce fragile gains that are difficult to sustain over time.

CRF's principal concerns with the proposal are as follows:

- **The proposal will not lower home prices.** By expanding access to mortgage credit and subsidizing down payments and closing costs, the proposal increases effective demand in housing markets where supply is constrained. In such environments, assistance is capitalized into higher prices rather than lower costs, particularly for starter homes and entry-level properties.
- **The proposal operates exclusively on the demand side of the housing market.** It does not address zoning barriers, permitting delays, construction costs, or other factors that limit housing supply. Without supply-side reform, credit-focused affordability initiatives cannot deliver durable price relief.
- **Conditioning access to FHLB liquidity on affordability participation distorts incentives.** Long-term FHLB advances are a core stabilizing feature of the housing finance system. Conditioning access to these facilities on specific lending activities encourages institutions to adjust portfolios to meet compliance objectives rather than purely risk-adjusted considerations.

- **Down-payment and closing-cost subsidies reduce borrower equity and increase leverage.** Lower borrower "skin in the game" heightens sensitivity to income shocks, interest-rate changes, and home-price stagnation, increasing default risk even when underwriting standards formally remain unchanged.
- **The proposal shifts and socializes risk rather than reducing it.** Risk that would otherwise be priced and borne at the point of origination is redistributed across the FHLB system and, ultimately, to taxpayers and the broader financial system.
- **Volume-based participation metrics are a weak proxy for sustainable affordability.** The proposal emphasizes program participation, certifications, and loan counts, but does not meaningfully incorporate long-term performance measures such as repayment sustainability, default rates, or price impacts.
- **Smaller institutions may face disproportionate pressure.** Larger institutions are better positioned to absorb compliance complexity and portfolio adjustments, while smaller banks and credit unions may experience increased operational and balance-sheet strain.

CRF does not oppose efforts to expand access to homeownership. However, access achieved through demand-side subsidies and compliance-driven incentives—without parallel attention to housing supply and market discipline—risks repeating familiar policy mistakes. Sustainable affordability requires more housing, competitive markets, and transparent risk pricing, not merely more credit layered onto a constrained system.

For these reasons, CRF urges FHFA to reconsider the structure of the proposal and to realign its affordability strategy with policies that expand housing supply, preserve the FHLB system's stabilizing role, and incorporate outcome-based measures of success. Doing so would better advance long-term affordability, financial stability, and the statutory objectives Congress has entrusted to FHFA.

I. The Proposal's Stated Objectives and Policy Mechanism

The Federal Housing Finance Agency presents the proposal as an effort to expand access to homeownership for low- and moderate-income households, with particular emphasis on first-time homebuyers and underserved communities. FHFA frames these objectives as consistent with its statutory responsibilities to promote housing finance liquidity and affordability while overseeing the Federal Home Loan Bank system. The proposal reflects a longstanding policy commitment to improving access to mortgage credit and lowering barriers to entry for households that face financial constraints.

Central to the proposal is the goal of encouraging Federal Home Loan Bank member institutions to play a more active role in advancing community support and first-time homebuyer activity. FHFA seeks to reinforce this role by integrating affordability considerations into the framework governing access to Federal Home Loan Bank programs. In doing so, the Agency aims to leverage the FHLB system's reach and balance-sheet capacity to support targeted housing outcomes, particularly in markets where private credit may be less readily available.

FHFA identifies Affordable Housing Program grants and Federal Home Loan Bank advances as the primary tools for implementing these objectives. AHP subsidies are designed to support down payments, closing costs, rehabilitation, and related expenses, while long-term advances provide member institutions with stable, low-cost liquidity. Together, these mechanisms are intended to lower borrowing barriers for households and encourage participating institutions to expand lending activity aligned with affordability goals.

In practice, however, the proposal operationalizes these objectives by conditioning access to core FHLB benefits on documented participation in community support and affordability-related activities. Member institutions' eligibility for long-term advances, as well as for participation in AHP, Community Investment Program, and Community Investment Cash Advance programs, is linked to their ability to demonstrate compliance with FHFA-defined community support criteria. These criteria function as gatekeeping mechanisms rather than as purely voluntary incentives.

The proposal relies heavily on compliance-based inputs to assess whether institutions are meeting FHFA's objectives. These inputs include application counts, certifications, and documented participation in eligible programs or activities. The regulatory emphasis is placed on whether institutions have engaged in qualifying actions, rather than on whether those actions produce measurable improvements in long-term affordability, borrower sustainability, or market stability.

Notably absent from the proposal's framework is a robust set of outcome-based performance measures. The proposal does not meaningfully evaluate whether assisted borrowers are able to sustain homeownership over time, whether default risks are increasing or declining, or whether housing prices in targeted markets are affected by expanded credit access. Instead, success is inferred from participation and volume metrics, which provide limited insight into the long-term effectiveness or cost of the policy.

This design choice has important implications for institutional behavior. When access to liquidity and subsidy programs is conditioned on compliance metrics, institutions face incentives to prioritize activities that satisfy regulatory criteria, even when those activities may not align with risk-adjusted lending decisions or local market conditions. Over time, this can encourage portfolio adjustments driven by compliance considerations rather than by borrower repayment capacity or market fundamentals.

Accordingly, while the proposal's stated objectives emphasize access and participation, its operational mechanism centers on conditional benefits and administrative verification. This approach risks conflating activity with outcomes and affordability with access. Without integrating performance-based evaluation or addressing underlying housing supply constraints, the proposal's policy mechanism may fall short of its stated goals and create incentive effects that undermine long-term affordability and financial stability.

II. Economic Analysis: Why the Proposal Will Not Lower Home Prices

Housing prices are determined by the interaction of supply and effective demand. Prices decline only when the supply of housing expands faster than demand or when demand is reduced relative to available inventory. Policies that increase purchasing power without increasing the number of homes available for sale do not reduce prices; instead, they reallocate who is able to bid for existing homes and at what price. This basic economic relationship is well established and holds across housing markets regardless of income segment or geography.

The proposal operates exclusively on the demand side of the housing market. By expanding access to credit, subsidizing down payments and closing costs, and incentivizing lending activity targeted to first-time and low- and moderate-income buyers, the proposal increases the number of households able to enter the market and the amount they are able to bid. At no point does the proposal address the physical or regulatory constraints that limit housing supply in most markets.

Demand-side subsidies, while often framed as affordability tools, increase effective purchasing power. Down-payment and closing-cost assistance reduce upfront financial barriers and allow borrowers to leverage a larger mortgage relative to their own savings. As a result, buyers are able to bid more aggressively for homes than they otherwise could, particularly in competitive markets where inventory is limited.

In supply-constrained environments, this increased purchasing power is capitalized into higher prices rather than absorbed as consumer savings. Sellers respond to stronger demand by raising asking prices, and homes transact at higher values until the additional purchasing power is exhausted. The financial benefit intended for buyers is thus transferred to sellers, leaving overall affordability unchanged or worsened. This capitalization effect is a predictable and repeatable outcome of demand-side housing interventions.

Entry-level and starter homes are especially vulnerable to this dynamic. These properties attract first-time buyers and households targeted by affordability programs, and they already face acute supply shortages in many regions. When additional buyers are enabled to compete for a limited stock of entry-level housing, prices in that segment rise disproportionately. This effect can crowd out buyers who do not receive assistance while eroding the intended benefit for those who do.

The proposal does not include any supply-side reforms that could offset these demand effects. It does not reduce zoning or land-use restrictions that limit residential development, accelerate permitting processes that delay construction, lower construction or regulatory compliance costs, or otherwise expand the housing stock. Without such measures, housing supply remains inelastic, particularly in high-demand metropolitan areas.

In markets with inelastic supply, affordability programs that expand demand tend to raise prices rather than reduce them. Even modest increases in purchasing power can have outsized price effects when new construction cannot respond quickly or at scale. As a result, policies that focus solely on financing mechanisms risk exacerbating the very affordability challenges they are intended to address.

Accordingly, while the proposal may improve access for some individual households in the short term, it is unlikely to produce market-wide price relief. By increasing demand without expanding supply, the proposal risks placing upward pressure on home prices, particularly for entry-level housing, and may ultimately undermine long-term affordability. Sustainable reductions in home prices require policies that increase housing supply or reduce structural barriers to development, not merely expanded access to credit.

III. Incentive Effects on Lenders and the Financial System

The Federal Home Loan Bank system plays a critical role in the U.S. housing finance architecture by providing member institutions with stable, low-cost liquidity through long-term advances. These advances are intended to support safety and soundness, mitigate funding stress, and enable institutions—particularly community banks and credit unions—to continue lending through economic cycles. Because access to FHLB advances is foundational to balance-sheet management, policies that condition that access materially affect institutional behavior.

By conditioning access to long-term FHLB advances and related programs on documented affordability and community support participation, the proposal alters how risk is allocated and managed. Institutions face incentives to adjust lending activity in order to preserve eligibility for core liquidity facilities. Even where underwriting standards remain formally unchanged, institutions may expand marginal lending or prioritize certain loan categories to satisfy compliance requirements rather than purely risk-adjusted considerations.

This incentive structure is particularly consequential at the margin, where lending decisions are most sensitive to regulatory and funding considerations. Loans that might otherwise be deferred, repriced, or declined due to risk characteristics may instead be originated or retained to meet affordability participation thresholds. Over time, this can shift portfolio composition toward higher-risk exposures without an explicit recalibration of capital, pricing, or loss reserves.

The proposal also relies heavily on subsidies—such as down-payment and closing-cost assistance—to facilitate borrower entry into the housing market. While these subsidies lower upfront barriers to homeownership, they reduce borrower equity at origination. Lower equity buffers increase leverage, which in turn heightens default risk when borrowers experience income disruptions, interest-rate increases, or declines in home values.

Higher leverage amplifies sensitivity to economic shocks. Borrowers with limited equity have less capacity to absorb unexpected expenses or market volatility and are more likely to default when conditions deteriorate. Even modest price stagnation or localized declines can erode remaining equity, increasing loss severity for lenders and the system as a whole.

Importantly, the presence of subsidies does not eliminate risk; it redistributes it. When borrower equity is reduced and lending is encouraged through conditional liquidity incentives, losses that would otherwise be borne by individual institutions or priced into loan terms are shifted outward. The Federal Home Loan Bank system absorbs greater exposure through its advances and programmatic commitments, while taxpayers and the broader housing finance ecosystem ultimately bear residual risk.

This redistribution of risk weakens market discipline. When institutions can rely on system-level backstops and compliance-based incentives, the feedback loop between risk-taking and consequences is attenuated. Over time, this can encourage greater risk concentration and reduce the effectiveness of market signals that ordinarily constrain excessive leverage and marginal lending.

Accordingly, while the proposal seeks to promote access to homeownership, its incentive effects warrant careful consideration. Conditioning core liquidity on affordability participation, combined with subsidy-driven reductions in borrower equity, risks shifting and socializing housing risk rather than reducing it. A sustainable housing finance system depends on aligning incentives with transparent risk pricing, borrower resilience, and institutional accountability—objectives that may be undermined by the proposal's current design.

IV. Lessons from Prior Housing Policy Experience

Historical experience with federal housing policy demonstrates a recurring pattern: expansions in credit access tend to increase home prices before underlying risk becomes visible. When purchasing power expands faster than housing supply, prices rise, masking weaknesses in borrower balance sheets and underwriting decisions. During these periods, higher prices can temporarily suppress default rates by enabling refinancing or resale, creating the appearance of improved affordability and reduced risk.

This pattern was evident in the years preceding the 2008 financial crisis, when a combination of accommodative credit conditions, policy-driven affordability initiatives, and optimistic price expectations led to rapid home price appreciation. While the causes of the crisis were multifaceted, the sequence was clear: expanded access and leverage raised prices first, and the associated risks became apparent only after price growth slowed or reversed. The initial affordability gains proved fragile and unsustainable.

Importantly, the lesson from this period is not that efforts to expand homeownership are inherently misguided or that federal housing policy alone caused the crisis. Rather, it is that policies which rely heavily on demand-side credit expansion can produce misleading short-term improvements while increasing long-term vulnerability. When prices rise faster than incomes, households become more exposed to economic shocks, even if lending standards appear sound on paper.

Affordability gains achieved through rising leverage are particularly unstable. As long as home prices continue to appreciate, higher leverage may appear manageable. Once price growth slows, however, households with limited equity lose the ability to refinance or sell without loss. Defaults increase, loss severity rises, and the costs of earlier credit expansion are borne by lenders, guarantors, and ultimately the broader financial system.

These historical dynamics are relevant to the current proposal even though the regulatory and market context has changed. The concern is not that the proposal will recreate subprime lending practices or dismantle post-crisis consumer protections. Today's housing finance system operates under stronger capital, underwriting, and disclosure requirements. Nonetheless, incentive structures remain powerful drivers of behavior.

The proposal reintroduces elements of an incentive architecture that weakens market discipline by rewarding participation and volume rather than outcomes and sustainability. Conditioning access to liquidity and subsidies on affordability activity echoes past approaches that prioritized expansion of credit access without sufficient regard for price effects, leverage, and long-term repayment capacity.

History suggests that when policies emphasize access metrics over resilience, risk accumulates gradually and becomes visible only after market conditions change. Rising prices can conceal vulnerabilities for years, making early interventions appear successful while amplifying eventual corrections. This lag between policy action and risk realization complicates oversight and can lead to delayed or insufficient responses.

Accordingly, the lesson from prior housing policy experience is not to abandon affordability goals, but to design policies that align access with discipline. Sustainable homeownership depends on stable prices, adequate borrower equity, and transparent risk pricing. Proposals that expand demand without strengthening these foundations risk repeating familiar patterns of short-term gains followed by long-term instability, even in a post-crisis regulatory environment.

V. Consistency With CRF's Prior FHFA and Housing Finance Analysis

CRF's concerns regarding the current proposal are consistent with its longstanding analysis of housing finance policy and regulatory design. Across multiple FHFA proceedings and related policy debates, CRF has emphasized that sustainable access to credit depends on accurate risk assessment, transparent pricing, and alignment between lending decisions and long-term borrower capacity. These principles remain central to our evaluation of the proposal.

CRF has consistently defended risk-based underwriting as a cornerstone of fair and functional housing finance markets. Proper risk pricing is not a barrier to access, but the mechanism through which access is made durable. When lenders are able to price risk accurately, credit can be extended to a wider range of borrowers without relying on hidden subsidies or systemic backstops. This approach supports inclusion while preserving financial stability.

Conversely, CRF has cautioned that policies which obscure or bypass risk signals tend to undermine affordability over time. When risk is masked through subsidies, compliance incentives, or administrative constraints, prices adjust upward and losses are deferred rather than avoided. Borrowers may gain entry in the short term, but they do so on increasingly fragile terms that leave them vulnerable when economic conditions change.

CRF's prior FHFA comments have also raised concerns about regulatory frameworks that rely on compliance-driven central planning rather than market-based outcomes. We have warned against the use of volume-based metrics—such as loan counts, participation thresholds, or activity checklists—as proxies for success. These metrics can incentivize behavior that satisfies regulatory requirements without improving underlying market conditions.

In previous filings, CRF has argued that planning mandates and prescriptive participation requirements tend to entrench dominant actors and distort competition. Large institutions are better equipped to absorb compliance complexity and optimize portfolios around regulatory incentives, while smaller institutions face disproportionate burdens. Over time, this dynamic reduces competition and concentrates risk within the housing finance system.

The current proposal raises similar concerns by conditioning access to critical liquidity facilities on documented affordability participation. While the mechanism differs from prior planning mandates, the effect is comparable: institutions are encouraged to prioritize regulatory compliance objectives over independent risk assessment and local market judgment. This approach risks substituting administrative benchmarks for economic discipline.

CRF's support for FHFA's recent efforts to repeal duplicative and overreaching regulatory frameworks underscores the importance of maintaining consistency in regulatory philosophy. Policies that move away from centralized planning and toward statutory discipline, competition, and market signals strengthen the housing finance system. Reintroducing incentive structures that weaken those signals risks reversing that progress.

Accordingly, CRF's critique of the current proposal is not a departure from prior positions, but a continuation of them. The same principles that guided CRF's defense of risk-based underwriting and its opposition to compliance-driven mandates apply here. Sustainable affordability is achieved by reinforcing market discipline, not by layering new incentives that reward activity without regard to outcomes.

VI. Distributional and Competition Effects

The proposal's distributional effects warrant careful examination because policies that expand access through demand-side incentives often produce uneven outcomes across borrowers and institutions. While the proposal is intended to improve affordability and inclusion, its economic effects are not uniform and may impose costs on groups beyond the intended beneficiaries. Understanding these tradeoffs is essential to evaluating whether the proposal advances sustainable housing policy.

For some households, particularly first-time and low- and moderate-income buyers, the proposal may generate short-term access gains. Down-payment and closing-cost assistance can reduce initial barriers to homeownership and allow certain households to enter the market sooner than they otherwise could. These benefits are tangible at the individual level and are likely to be most visible in the early stages of implementation.

However, these access gains are accompanied by broader price effects that affect all buyers. As discussed above, demand-side assistance increases bidding power in markets where housing supply is constrained. Higher prices resulting from increased competition are borne by the entire pool of buyers, including households that do not receive assistance. Over time, this dynamic can offset or even exceed the initial benefit conferred on assisted borrowers.

The resulting redistribution is regressive in important respects. Buyers who narrowly miss eligibility thresholds, households saving for larger down payments, and renters attempting to transition into ownership may face higher prices without access to corresponding subsidies. In this way, policies intended to promote equity can inadvertently disadvantage similarly situated households that fall just outside program criteria.

The proposal also has distinct implications for financial institutions. Larger institutions are generally better positioned to absorb compliance burdens associated with documenting affordability participation, tracking certifications, and adjusting portfolios to meet regulatory criteria. They possess greater administrative capacity, more diversified balance sheets, and dedicated compliance infrastructure that allows them to respond efficiently to regulatory incentives.

Smaller institutions, including community banks and credit unions, face a different set of challenges. These institutions often rely heavily on Federal Home Loan Bank advances for liquidity but have limited resources to manage complex compliance regimes or to rebalance portfolios around specific participation metrics. As a result, they may experience pressure to distort lending activity away from local market needs in order to preserve access to core funding facilities.

Such pressures can weaken the traditional role of smaller institutions as relationship-based lenders with deep knowledge of local housing conditions. When lending decisions are increasingly shaped by regulatory incentives rather than local judgment, credit allocation becomes less responsive to community-specific risks and opportunities. This can reduce efficiency and undermine the diversity of the housing finance ecosystem.

Over time, these dynamics raise concerns about market concentration. Incentive structures that favor scale and administrative capacity tend to advantage dominant actors, including large banks and government-sponsored enterprises, at the expense of smaller competitors. As participation requirements and compliance costs grow in importance, barriers to entry and expansion increase.

The entrenchment of dominant actors carries systemic implications. Concentrated markets are more vulnerable to correlated risks, less adaptable to changing conditions, and less innovative in responding to consumer needs. A housing finance system that relies increasingly on a small number of large institutions is less resilient and more costly to backstop in periods of stress.

Accordingly, while the proposal may deliver targeted benefits to some borrowers, its broader distributional and competitive effects raise concerns. By increasing prices, imposing uneven institutional burdens, and reinforcing market concentration, the proposal risks undermining both affordability and competition. A durable housing policy should seek to expand access without disadvantaging non-participating households or accelerating consolidation within the housing finance system.

VII. Policy Recommendations

CRF makes the following recommendations to FHFA:

- **Reorient affordability strategy toward housing supply.**
  FHFA should recalibrate its approach to affordability to emphasize policies that expand housing supply rather than relying predominantly on demand-side credit and subsidy mechanisms. Persistent affordability challenges are driven primarily by supply constraints, including restrictive zoning, lengthy permitting processes, and regulatory costs that inhibit new construction. While FHFA does not directly regulate land use, it can align its programs and priorities to complement supply-expanding reforms rather than counteract them.
- **Ensure affordability programs do not work against supply growth.**
  FHFA should evaluate whether Affordable Housing Programs and community support incentives inadvertently increase competition for a fixed housing stock. Credit expansion and purchase subsidies, when deployed without parallel supply reforms, raise prices rather than reduce them. FHFA should consider directing programmatic support toward initiatives that facilitate new construction, rehabilitation, and adaptive reuse, or conditioning expansion of demand-side programs on demonstrated efforts to address supply barriers.
- **Incorporate outcome-based performance metrics.**
  FHFA should move beyond participation and volume-based metrics—such as application counts and certifications—and incorporate outcome-based measures into its evaluation framework. Tracking loan performance, borrower sustainability, and long-term homeownership outcomes would provide a clearer assessment of whether affordability initiatives are delivering durable benefits rather than short-term access gains.
- **Evaluate market-level price and leverage effects.**
  FHFA should require systematic analysis of how affordability initiatives affect home prices, borrower leverage, and geographic risk concentration. Programs that coincide with rising prices or increasing leverage may indicate unintended consequences even if participation targets are met. Incorporating market-level indicators would allow FHFA to identify and correct distortions before they become systemic.
- **Avoid conditioning access to core FHLB liquidity on affordability metrics.**
  Access to long-term Federal Home Loan Bank advances should remain focused on safety and soundness and the provision of stable, countercyclical liquidity. Conditioning access to these facilities on affordability participation risks undermining the FHLB system's stabilizing role and may encourage institutions to prioritize compliance objectives over prudent balance-sheet management.
- **Separate affordability incentives from foundational liquidity tools.**
  To the extent FHFA seeks to encourage affordability participation, such incentives should be clearly separated from access to essential liquidity facilities. Voluntary, transparent incentives are less likely to distort lending behavior than eligibility conditions tied to core funding mechanisms, and they preserve institutional discretion to respond to local market conditions.
- **Improve transparency around price and risk impacts.**
  FHFA should require regular public reporting on the price, leverage, and risk effects of

affordability programs administered through the FHLB system. Transparent analysis would strengthen accountability, inform future policy adjustments, and ensure that affordability initiatives are evaluated against their full economic impact rather than solely against participation metrics.

- **Align affordability initiatives with long-term system resilience.**
  FHFA should ensure that all affordability-related policies reinforce, rather than weaken, market discipline, competition, and financial stability. Sustainable homeownership depends on stable prices, adequate borrower equity, and transparent risk pricing. Policies that prioritize these foundations will better serve households, institutions, and taxpayers over the long term.

Conclusion

The Center for Regulatory Freedom appreciates the opportunity to comment on the Federal Housing Finance Agency's proposal concerning community support requirements and the administration of Affordable Housing Programs within the Federal Home Loan Bank system. FHFA's statutory mission to promote access to housing finance while ensuring safety and soundness is both important and complex, and CRF recognizes the challenge of balancing these objectives in an environment of persistent housing affordability pressures.

As detailed above, CRF is concerned that the proposal relies predominantly on demand-side interventions to address affordability challenges that are fundamentally driven by supply constraints. Expanding access to credit and subsidizing borrower entry without addressing the underlying scarcity of housing is unlikely to lower prices and may instead place upward pressure on entry-level homes. Such outcomes risk undermining the very affordability goals the proposal seeks to advance.

CRF's analysis also highlights the incentive effects created by conditioning access to core liquidity facilities on affordability participation. The Federal Home Loan Bank system serves a vital stabilizing function in the housing finance system, particularly for community-based institutions. Policies that repurpose this stabilizing infrastructure as a policy lever risk distorting lending decisions, weakening market discipline, and redistributing risk across the system rather than reducing it.

Historical experience reinforces the importance of caution. Past housing policies that emphasized credit expansion over supply growth delivered short-term access gains but proved fragile once price appreciation slowed. The lesson is not to abandon affordability objectives, but to ensure that policies align access with sustainability, borrower resilience, and transparent risk pricing. Ignoring these lessons increases the likelihood of repeating familiar and costly mistakes.

CRF also notes the proposal's uneven distributional and competitive effects. While some households may benefit in the short term, higher prices affect all buyers, including those who do not receive assistance. At the institutional level, compliance-driven incentive structures tend to favor larger actors and place disproportionate pressure on smaller banks and credit unions, increasing concentration and reducing competition within the housing finance system.

CRF therefore urges FHFA to reconsider the proposal's design and to adopt policy adjustments that emphasize supply expansion, outcome-based performance metrics, and preservation of the FHLB system's core liquidity role. Improving transparency around price and risk effects and separating affordability incentives from foundational funding mechanisms would strengthen the proposal and better align it with long-term affordability and stability.

Sustainable homeownership is achieved not by expanding credit alone, but by ensuring that housing markets can respond with greater supply, stable prices, and resilient borrowers. By grounding affordability policy in sound economics and disciplined institutional design, FHFA can advance its statutory mission while protecting the housing finance system, preserving competition, and delivering durable benefits to American households.

Sincerely,

Andrew M. Langer
Director
CPAC Foundation Center for Regulatory Freedom