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October 23, 2020

Ms. Rebecca Cohen
Senior Policy Analyst
Attention: Duty to Serve 2020-2021 RFI
Federal Housing Finance Agency, Eighth Floor
400 Seventh Street, S.W., Washington, D.C. 20219

RE: Proposed 2021 Underserved Market Plans and 2020 Modifications

Dear Ms. Cohen,

The Housing Assistance Council (HAC) appreciates the opportunity to offer comments on Duty to Serve as the Enterprises (Fannie Mae and Freddie Mac) react to the housing and economic challenges of the COVID-19 pandemic and work to plan for the future of Duty to Serve. Our country is facing an unprecedented health and economic challenge, and Duty to Serve remains critically important to help rural areas weather the storm.

The Housing and Economic Recovery Act of 2008 mandates that Fannie Mae and Freddie Mac have a "Duty to Serve" three traditionally underserved markets of: Rural Housing, Manufactured Housing, and Affordable Housing Preservation. The Enterprises are rightly tasked with increasing liquidity and investment capital in these markets. Secondary housing market policy is and has historically been part of a system that is delivering vastly different outcomes for people depending on where they are born – and this inequity must be addressed.

HAC helps build homes and communities across rural America. Founded in 1971, headquartered in Washington, D.C. and working in all 50 states, HAC is a national nonprofit and a certified community development financial institution (CDFI). We are dedicated to helping local rural organizations build affordable homes and vibrant communities. We provide below-market financing, technical assistance, training and information services. HAC also serves as rural America's "Information Backbone" with leading public and private sector institutions relying on HAC's independent, non-partisan research and analysis to shape policy.

HAC previously commented on the 2009 Advanced Notice of Proposed Rulemaking, the 2010 Proposed Rule on Duty to Serve, the 2016 Final Duty to Serve Rule, the first three-year Underserved Markets Plans from the Enterprises in 2017, the 2019 Rural Listening Session, and the 2020 plan modification proposals. HAC understand the need to delay the next round of Underserved Markets Plans as housing markets weather the pandemic, but we encourage the Enterprises to hold themselves to current plan goals when possible and to set ambitious goals for the coming years. With over 49 years of service to public, nonprofit, and private organizations throughout the rural United States, HAC is uniquely positioned to provide comments and insights on the Underserved Markets Plans.

GENERAL COMMENTS REINFORCING THE IMPORTANCE OF "DUTY TO SERVE"

As a strong advocate for the Duty to Serve provisions of the Housing and Economic Recovery Act of 2008, HAC appreciates the time, effort, and resources FHFA, Fannie Mae, and Freddie Mac have undertaken to develop and implement their Underserved Market Plans. The core of HAC's work for nearly five decades has been rural and underserved communities. HAC understands the complexities and difficulties of working in these communities. HAC also understands the promise and possibility of Duty to Serve to affect real and measurable change in these long overlooked and largely forgotten communities and people. HAC firmly sees Duty to Serve as a social justice issue. In an era in which racial and economic inequities are top-of-the-fold news stories, we can use Duty to Serve to go past minimum promised levels of loan purchase and try to fundamentally shift the lives of Black, Hispanic, Indigenous and persistently poor families.

We appreciate the staff power and effort that FHFA and the Enterprises have invested thus far in Duty to Serve, and we look forward to assisting you to build on the work of the last several years, react to the challenges of COVID-19, achieve the Duty to Serve mandate, and continue to improve liquidity and access to affordable housing in underserved markets.

With the Release of More Data, Duty to Serve and Safety and Soundness Can Complement One Another to Improve Mortgage Access in Rural Communities. HAC and our rural stakeholders understand the importance of operating in a safe and sound manner when extending financial services, especially during the current uncertain economic outlook. Careful evaluation combined with improved data collection will help ensure a safe and sound operation of the Enterprises while simultaneously reducing risk and helping stimulate quality housing development for low-income families in rural markets.

In order for HAC and others to engage in education about and advocacy for Duty to Serve with rural communities and policymakers, more transparent evaluation methods and outcomes data needs to be made available. HAC would encourage the FHFA issue more detailed evaluations of the Enterprises' work on Duty to Serve. Such a robust evaluation would help both policymakers and the target markets understand the impact of Duty to Serve, and identify areas for expansion, improvement, and tailoring.

Strong Partnerships are Essential to Duty to Serve's Success. As part of their plans, the Enterprises have been endeavoring to partner with existing housing providers including local, regional and national nonprofits, tribes, and Community Development Financial Institutions (CDFIs) who already work in these communities. HAC strongly supports this approach and encourages the Enterprises to further maximize these strategic partnerships within their Duty to Serve efforts in rural communities. These entities have the experience, local trust, and insights to help Fannie and Freddie meet their duty in these often hard to reach areas. Community-based and mission-aligned organizations are all too often the only local organizations providing affordable housing for low-income people in rural areas. Rural housing developers often face difficult problems that may not be as prevalent in urban areas: lack of financial institutions, limited access to markets, and insufficient infrastructure can hinder the development of affordable housing in rural areas. Working within these limitations, community-based organizations are the essential connections that transform public and private funding into affordable homes. Building and expanding these partnerships is more important than ever, as the pandemic strains local rural housing nonprofits and the communities they serve.

To this end, HAC would encourage both the FHFA and the Enterprises to redouble efforts to engage national and community-based practitioners with the expertise, connections, and trust to make Duty to Serve work in rural America.

Rural America Is Ripe For Investment. HAC's experience is that rural communities – even the most challenged – to be largely credit-worthy and ripe for investment, provided that relationship building and an understanding of rural nuance is in place. Rural America is not a monolith and is home to many different housing markets. To build on Duty to Serve's early successes, Fannie Mae and Freddie Mac will need to better understand these unique and often-forgotten markets, and commit meaningful efforts and investment.

HAC'S COMMENTS TO THE GSE'S 2020 RURAL MARKET MODIFICATIONS

2020 Plan Modifications Should Be Made Only When Absolutely Necessary. In reviewing the proposed 2020 Plan Modifications from the Enterprises, there are numerous areas – both in the rural section and in other sections – where modifications are proposed to remove or decrease loan purchase goals.[1] While it is understandable to be cautious regarding potential market impacts of the pandemic, HAC would encourage the Enterprises and the FHFA to maintain current plan milestones and loan purchase goals wherever possible. One of the critiques of the Duty to Serve plans over the first three years has been that the loan purchase goals haven't been ambitious enough to truly move the needle for rural markets, and further scaling those goals back could give credence to that critique.

HAC would encourage the Enterprises to only make modifications to Duty to Serve loan purchase goals when truly necessary.

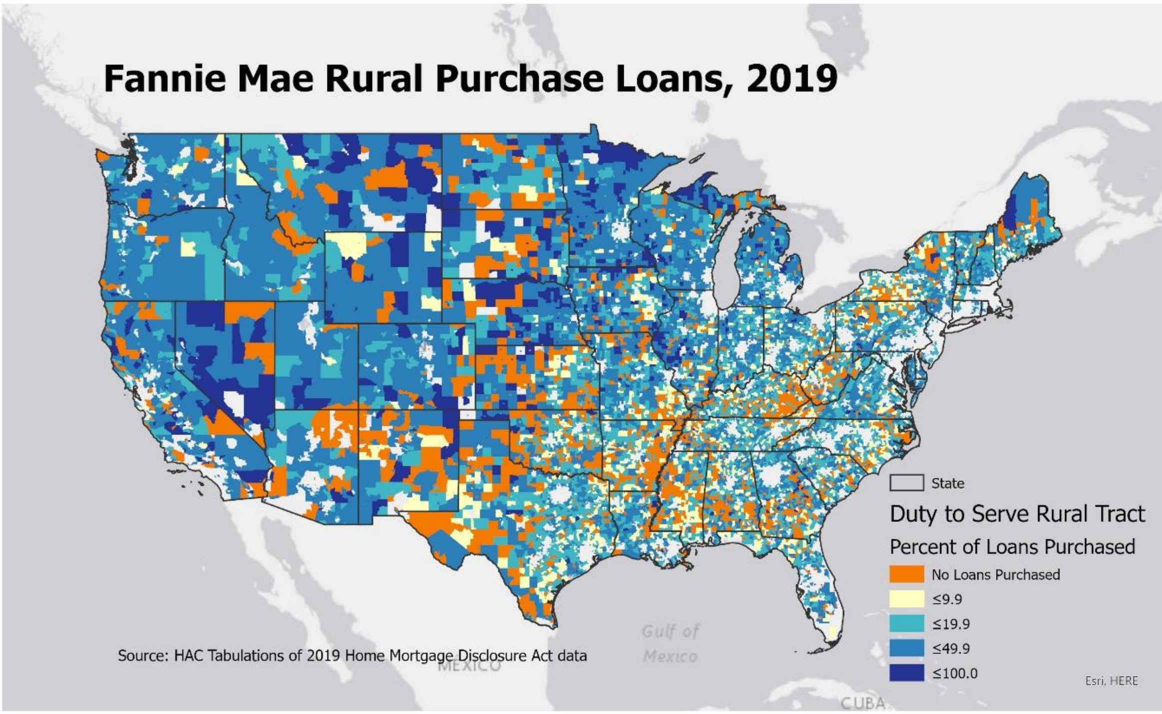
2021 Plans Should Establish More Ambition Purchase Goals. Looking forward to 2021 Plan Extensions, the Enterprises should consider building on their hard work by further expanding their purchase goals, rural-tailored product offerings, and general outreach. The need for access to capital is still very much present and growing in rural places, and the next set of plans is an opportunity to address those challenges and opportunities head-on.

More robust purchase goals could help inspire real buy-in from sometimes-skeptical rural communities. Both Enterprises were able to exceed – sometimes significantly – their 2018

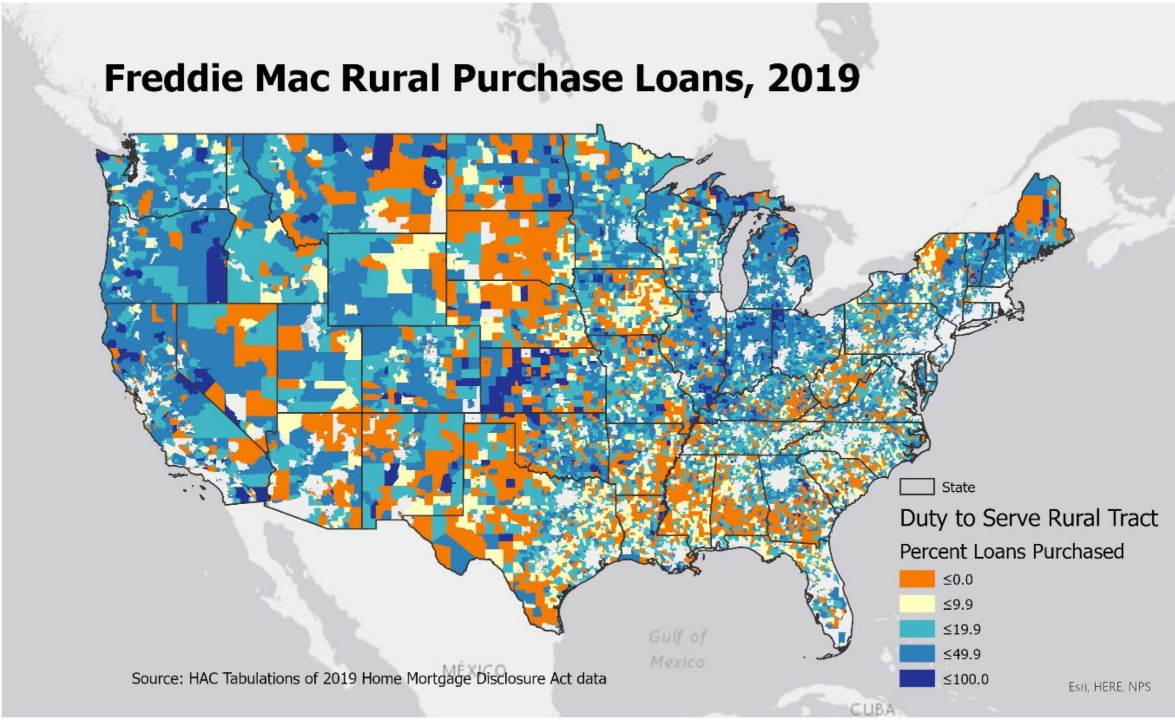
[1] Federal Housing Finance Agency. "Request For Input On Fannie Mae And Freddie Mac 2018-2020 Duty To Serve Plan Modifications And 2021 Extensions." September 2020. https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/DTS-RFI-Proposed-2020-Plan-Modifications-and-2021-Plan-Extensions.pdf

targets.[2] This positive result is a promising sign of the potential that Duty to Serve holds for underserved markets. However, it also indicates that more ambitious goals might be appropriate for the 2021 Plan Extensions.

In the two maps below, the Enterprises' 2019 rural loan purchases are displayed. The orange areas are where Fannie Mae and Freddie Mac respectively did not make any loan purchases in 2019, and these orange areas generally coincide with high needs rural areas.



[2] FHFA 2018 Report to Congress. June 11, 2019. Pg. 29.
https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/FHFA_2018_Report-to-Congress.pdf



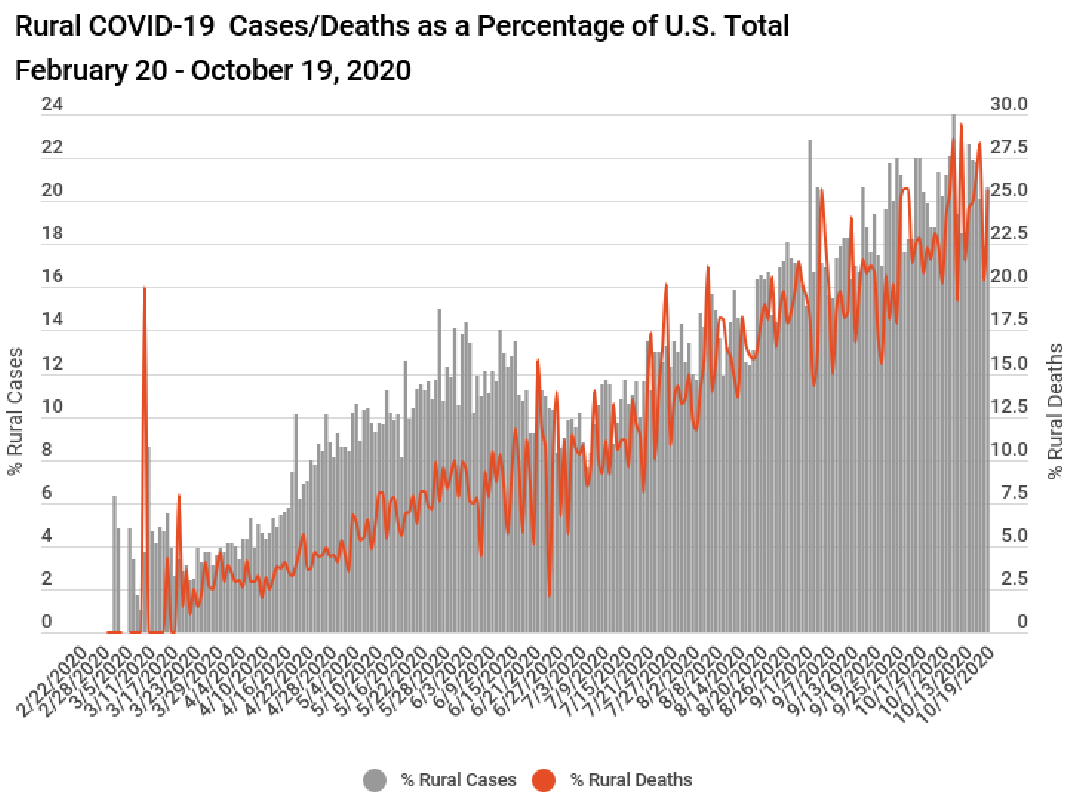
The next phase of Duty to Serve should also build upon the rural relationships that the Enterprises have been fostering over the past few years, especially with local, regional and national nonprofits, tribes, and CDFIs. The lending models that these organizations have developed work in their communities, and the Enterprises plans would benefit from taking the lessons learned by these local organizations into account when developing appropriate rural products.

And finally, as discussed earlier in this letter, a redoubled effort to engage in proactive outreach to rural communities and small financial institutions would help make key players aware of the obligation that the Enterprises have to service rural places and the opportunities that that obligation could bring to rural financial systems. Without a robust level of both local and national awareness about Duty to Serve and its intended impact, its reach will be limited and the Enterprises will not truly become a presence in rural markets.

Internal Plan Oversight Should Be Consolidated at Each Enterprise to Improve Efficacy. It has been HAC’s experience that the Enterprises’ approach to Duty to Serve is often segmented by their lines of business and initiatives (Single family, Multifamily, etc.). As such, the flow of information and potential strategies and solutions may not be fully realized by this division and fragmentation. To help improve a more coordinated and synergistic approach, HAC recommends and encourages both Enterprises to establish a dedicated coordinator or coordinating team to help to provide a more comprehensive and wholistic approach to their DTS efforts and requirements.

COVID-19 Will likely Impact Rural and Underserved Markets Differently and Exacerbate Longstanding Inequities. The COVID-19 pandemic is a global health crisis affecting nearly every community - including rural America. While there are still many uncertainties, the health crisis changes daily and the pandemic's impact on rural communities continues to grow and evolve. As of October 19, 2020, there were more than 1 million reported cases of COVID-19 and approximately 23,000 associated deaths in communities outside of metropolitan areas. All but 4 counties outside of metropolitan areas now have reported COVID-19 cases, and nearly 80 percent of outside metro counties have also reported associated deaths related to the virus.

Initial impacts of COVID-19 were greatest in urban communities and these areas still have the largest share of cases and deaths. Rural COVID case now outpace the rural population as a whole and the rural share of COVID-19 cases continues to rise nationally. On October 19, 2020, 21 percent of new cases and 25 percent of new deaths were reported outside of metropolitan areas. There have been several instances of extremely high per-capita infection rates in rural areas - notably on some Native American lands and communities with meat packing and correctional facilities. From September 19- October 19, the rural case and death rates increased most dramatically in the plains and upper Midwest, as well as in some Appalachian and southern communities.



HAC is encouraged by the Enterprises' attention to COVID but also underscores the likelihood that while COVID came later to rural and underserved communities its impacts to the economies and housing markets may last longer and have a more deleterious effects that only serve to exacerbate longstanding inequities in these communities. HAC has developed a multifaceted response to help rural communities and housing providers reposition in a time of unprecedented crisis. We implore FHFA and the Enterprises to not overlook these or reduce Duty to Serve in light of this circumstance as these are the communities that may suffer and lose the most ground.

Continually Strive to Improve the DTS Colonias Definition. In the final Duty to Serve Rule some of the high-needs rural regions and populations identified in the regulation, including Middle Appalachia, the Lower Mississippi Delta, Native American Lands, Farmworkers, and persistent poverty areas, provided relatively detailed definitions for targeting and assessment under the rule. Guidance for the colonias definition, on the other hand, did not include detailed lists of colonia communities and instead called on the GSEs to work with researchers, lenders, and housing providers to "specifically identify the census tracts that contain colonias."[3]

HAC supports the work and effort by Fannie Mae to better identify and understand colonias markets with the goal of enhancing access to mortgage finance in colonias communities and the border region.

HAC'S COMMENTS TO THE GSE'S 2020 MANUFACTURED HOUSING MARKET MODIFICATIONS

HAC views Duty to Serve requirements as an important tool for expanding access to affordable housing and improving economic conditions in many rural communities – a resource that will be extremely important as the nation works to address and rebound from the COVID-19 pandemic. The GSEs' work in the manufactured home market over the last few years is important, yet more still needs to be done. Home Mortgage Disclosure Act (HMDA) data indicates this need for affordable finance with approximately 70 percent of all home purchase loans involving a manufactured home being high cost. This is not the time to pull back or severely curtail work over the long-term.

Manufactured Housing is Particularly Important to High Need Rural Communities. Manufactured housing is an important part of the housing stock in many rural communities. While they are relatively uncommon in many urban and suburban areas-particularly in large concentrations, manufactured homes represent at least one in five occupied units in 39 percent of all outside metropolitan area (rural) counties which amounts to 458 jurisdictions. For 258 rural counties, manufactured homes represent at least one in every four occupied housing unit Manufactured housing is prevalent in some of the most economically depressed parts of rural America. Manufactured homes make-up 20 percent or more of the occupied housing stock in more than half of the nation's 328 persistently poor, jurisdictions that have experienced poverty of 20% or higher for the last three decades, rural counties. For over half (56%) of the rural

[3] Federal Housing Finance Agency. *Enterprise Duty to Serve Underserved Markets Final Rule.* 12 CFR Part 1282 pp 135: https://www.fhfa.gov/SupervisionRegulation/Rules/RuleDocuments/2016%20Duty%20to%20Serve%20Final%20Rule_For%20Web.pdf

counties in the DTS designated Middle Appalachia high need region, manufactured homes represented at least one out of every five occupied homes. Thirty-eight percent of the rural counties in the Lower Mississippi Delta high need region similarly rely on manufactured housing to such a high degree. Map A1 in the appendix highlight the prevalence of manufactured housing in these areas, specifically the rural southeast and southwest.

'High Cost' Lending for Manufactured Home Constrains Its Potential – Especially in Rural Markets and for Rural Minorities. Of the many different issues facing manufactured housing, likely the most prevalent, particularly in rural areas, is elevated financing costs. These high financing costs serve as a significant burden for many low-income families. In 2019, approximately 65 percent of all home purchase loans involving a manufactured home were high cost (interest rates exceeding by a considerable amount the interest rate charged on a similar prime rate loan).[4] Such high percentages are a chronic issue and, following form, the 2019 rates were like the 2018 and 2017.

The rates of high-cost lending are extreme for rural minorities purchasing a manufactured home. For example, 87 percent of the home purchase loans involving a manufactured home for rural Black or African American borrowers were high cost compared to 58 percent of similar loans for rural white non-Hispanic borrowers. In certain high need regions and for certain populations almost all loans involving a manufactured home are high cost.

Personal property or chattel loans are a major reason for the extreme share of loans involving a manufactured home being classified as high-cost loans. Chattel loans are personal property loans, like an automobile loan, and come with considerably higher interest rates that the standard 30-year mortgage loan. Approximately 44 percent of all 2019 home purchase originations involved a manufactured home were personal property loans.[5] Approximately 94 percent of personal property home purchase loans were high cost compared to 52 percent for standard mortgage loans.[6]

Overly Conservative Goals Will Result in Limited Impact. HAC understands that the COVID-19 pandemic is affecting all communities and achieving loan purchase targets – in already underserved markets, will likely be more difficult to perform. It is, however, precisely at times like this when having a well-functioning home finance market is of possibly greatest importance. While many housing markets outside of urban centers have been remarkably strong[7], it is the lower-income, underserved areas, where manufactured housing is more prevalent, that proposed changes and plan extensions could most negatively impact.

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[4] This research followed the FFIEC set threshold of interest rates exceeding the prime interest rate charge on a similar loan by 1.5 percent or more for first liens and 3.5 for secondary liens.

[5] This is HMDA 2019 first lien, home purchase loan involving an owner-occupied (primary residence) manufactured home, 1 to 4 units, where the status of how the home is secured provided (exempt and na cases removed). We also removed records classified as open-ended loans.

[6] Standard loan refers to home purchase loans that are securitized with both the property and home.

[7] La Monica, Paul R. 2020. Markets Now: Housing Markets is Still Going Strong and Propping Up Economy. CNN 8/18/2020. As of 10/14/2020, this article can be found at the following url: https://www.cnn.com/2020/08/18/investing/housing-market-economy-home-depot-earnings/index.html

For example, 87 percent of 2019 home purchase loans involving a manufactured home in the lower-Mississippi Delta high need region, representing 5,488 originations, were high cost. Ninety-six percent of the loans involving a manufactured home originated to Black and/or African American borrowers were high cost-1,200 out of 1,251. A little more than a third (37%) of the 992 Black and/or African American borrowers that took out personal property loans even though they directly owned the ground the home sat on. This suggests at least some of these borrowers could have used their land to securitize the loan thus obtaining a standard term mortgage as opposed to the high-cost chattel loans. Duty to serve plans can hopefully ensure that no borrower gets a high cost loan when they can avoid it. Reductions in efforts mean reductions in help to such markets and families.

HAC believes the Enterprises provide more support for traditional lending products in the manufactured housing market. The goal should be to improve both access and affordability both of which are likely best achieved with loans that are securitized with both the home and land. The GSE's should continue efforts at improving personal property or chattel lending, but to focus on more on loan products that are in standard use for site-built homes and are more likely to be of lower costs to the consumer.

HAC Supports Efforts That Promote More Stable And Affordable Housing Arrangements For Manufactured Home Communities. Manufactured housing communities, home to about 40 percent of all such housing units, represent an important part of the housing stock in certain communities.

HAC'S COMMENTS TO THE GSE'S 2020 PRESERVATION MARKET MODIFICATIONS

Some of the most vulnerable rural residents rent their homes. Yet there are not enough decent, affordable rentals for those who need them, and a notable portion of them are endangered by expiring use restrictions, physical aging or both. Preservation of affordable rental housing in rural America remains an important component of the Enterprises' Duty to Serve.

The Need For Rural Rental Preservation. Cost burdens and physically inadequate housing affect rural renters. Even before the coronavirus pandemic began, housing costs were a significant problem for rural renters, as they were for urban and suburban residents. Almost 40 percent of renters in places outside metropolitan areas (750,000 households) were cost burdened in 2018, paying more than 30 percent of their income for rent and utilities.[8] Cost burden rates in rural America increased from 2009 to 2017, with a particularly striking jump for rural renters with incomes $20,000-$49,999. Their cost burden rate rose a full 10 percentage points from 26 percent in 2009 to 36 percent in 2017.[9]

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[8] Joint Center for Housing Studies of Harvard University (JCHS), America's Rental Housing 2020, https://www.jchs.harvard.edu/americas-rental-housing-2020.

[9] Andrew Dumont, Rural Affordable Rental Housing: An Exploration of Need, Federal Support, and the Low Income Housing Tax Credit, presentation at Freddie Mae Rural Housing Research Symposium, 2019, https://sf.freddiemac.com/resources/an-exploration-of-need-federal-support-and-the-low-income-housing-tax-credit.

At the same time, rural renters experience a disproportionately high rate of physically inadequate housing. Nationwide, 14.8 percent of inadequate rental units are outside metro areas, although only 11.7 percent of all rental units are there.[10] Substandard housing is particularly problematic for Native American renters, 6.6 percent of whom occupy such units. Native American and Hispanic renters in nonmetro areas are also more likely than others to live in overcrowded homes, with rates at 13.9 percent and 12.5 percent respectively.[11]

USDA-Financed Rental Housing Is At Risk. Although the supply of affordable rural rental housing is already unable to meet the current need, it is declining further as rental properties with U.S. Department of Agriculture (USDA) Section 514 and 515 mortgage loans are leaving the programs and their affordability requirements. Currently over 13,000 Section 515 properties provide more than 415,000 affordable rental homes across rural America. The vast majority of them were constructed before 1990. As their mortgages reach maturity, if there is no intervention, an average of over 16,000 Section 515 units will be lost each year from 2028 to 2032. Losses will then continue at an even faster pace through 2045, and by 2050 no Section 515 units will remain.[12]

The mortgage maturity problem is compounded by owners' ability to prepay their mortgages in some situations. As of 2016, about 5,300 Section 515 properties (38.2 percent of properties, encompassing over 150,000 units) were eligible to prepay.

Preserving Section 515 stock is expensive. The 2016-2025 cost for physical repairs and improvements alone has been estimated at $4.728 billion.[13] Yet preservation is essential, because replacing lost units would be even more expensive than preservation and Section 515 tenants have few other options. Over 60 percent of them are seniors and people with disabilities. Their annual income averages only $13,600.[14] Not surprisingly, 80 percent of Section 515 tenants rely on rental assistance, the majority through USDA's Section 521 Rental Assistance program. More than one-third of the unassisted tenants are cost-burdened, paying more than 30 percent of their income for rent.

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[10] JCHS, Table W-6, https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_ARH_2020_Appendix_Tables_Revised.xlsx.
[11] JCHS, p. 35.
[12] Housing Assistance Council, Rental Housing for a 21st Century Rural America: A Platform for Preservation (Washington, DC: HAC, 2018), p. 49, http://www.ruralhome.org/storage/documents/publications/rrreports/HAC_A_PLATFORM_FOR_PRESERVATION.pdf.
[13] CoreLogic, Inc. and RSM US LLP, USDA Rural Development Multi-Family Housing Comprehensive Property Assessment (March 1, 2016), https://www.rd.usda.gov/files/reports/USDA-RD-CPAMFH.pdf. The analysis also covered USDA's other rental housing programs, estimating an additional $782 million cost over 20 years for properties in the Section 514/516 farmworker housing, Section 538 rental housing guarantee and Multi-Family Preservation and Revitalization (MPR) portfolios.
[14] Bruce W. Lammers, Results of the 2019 Multi-Family Housing Annual Fair Housing Occupancy Report, Unnumbered Letter (December 5, 2019), https://www.rd.usda.gov/sites/default/files/RDUL-MFHannual1.pdf.

The Coronavirus Pandemic Further Endangers Rural Rental Housing. The coronavirus pandemic is adding new rural housing preservation needs in rural, suburban and urban places. The lack of sufficient rental assistance to make up for tenants' lost incomes poses a new threat to the existence of affordable housing, especially units with small or nonprofit owners.

Across the country, including in rural places, low- and moderate-income tenants have lost jobs or income because of the coronavirus pandemic. As a result, many have been unable to pay some or all of their rent. Owners of properties with rental assistance such as USDA's Section 521 Rental Assistance, HUD Housing Choice Vouchers or HUD Section 8 Project-Based Rental Assistance can recertify tenants' incomes to show tenants can afford to pay less, so the rental assistance increases and the owner's income remains stable.

Not all properties with lower-income tenants have rental assistance, however. These include unsubsidized affordable properties, known as naturally occurring affordable housing or NOAH.[15] Many Low-Income Housing Tax Credit (LIHTC) units fall into this category as well; the most recent available data from HUD show that between 35 and 60 percent of LIHTC households do not receive rental assistance.[16] While LIHTC units without rental assistance[17] and NOAH units[18] may not be affordable for the very lowest-income renters, they are important parts of the affordable housing stock.

The GSEs' Role. Fannie Mae and Freddie Mac play important roles in the preservation of rural rental housing. They are essential in Low Income Housing Tax Credit preservation transactions, both as equity investors and as backers of loans that supplement LIHTC financing. They can support USDA's Section 538 guarantee program by purchasing loans. They can provide resources for technical assistance, research, stakeholder networking and events, including virtual events. HAC appreciates the actions both Enterprises have taken to date in each of these arenas and the commitments they have made for 2020 and 2021.

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15 "Although there's no strict definition, NOAH generally is understood to mean rental housing at least two decades old, short on amenities and affordable without a subsidy." Haisten Willis, "Preserving Affordable Housing: A Look at Programs Designed to Stabilize Communities," Washington Post, March 10, 2020, https://www.washingtonpost.com/realestate/the-noah-conundrum-maintaining-the-lifeboat-for-affordable-rental-housing/2020/03/18/e3e18aa6-12ba-11ea-bf62-eadd5d11f559_story.html.

16 States reported to HUD that 88.5 percent of LIHTC tenants received monthly rental assistance, but for 35 percent of units they reported the amount of assistance was zero. Dollar amounts were reported for 40 percent of units and no amounts were indicated for another 25 percent; thus it appears that at least 40 percent, and possibly as many as 65 percent, may receive rental assistance. Conversely, then, 35 to 60 percent do not receive rental assistance. U.S. Department of Housing and Urban Development, Understanding Whom the LIHTC Serves: Data on Tenants in LIHTC Units as of December 31, 2017 (Washington, DC: HUD, December 2019), p. 25, https://www.huduser.gov/portal/sites/default/files/pdf/LIHTC-TenantReport-2017.pdf.

17 U.S. Department of Housing and Urban Development, Understanding Whom the LIHTC Serves: Data on Tenants in LIHTC Units as of December 31, 2017 (Washington, DC: HUD, December 2019), Table 10, https://www.huduser.gov/portal/sites/default/files/pdf/LIHTC-TenantReport-2017.pdf.

18 National Low Income Housing Coalition, "Naturally Occurring Affordable Housing Benefits Moderate Income Households, but not the Poor," Memo to Members, November 7, 2016, https://nlihc.org/resource/naturally-occurring-affordable-housing-benefits-moderate-income-households-not-poor.

The Proposed Plans For 2020 And 2021 Focus On Safety Rather Than Action. While HAC acknowledges the Enterprises' actions to date, we are disappointed that the Enterprises plan to continue providing only the least risky, least costly supports for rural rental preservation. The proposed activities – which include providing technical assistance, developing a loan product enhancement in order to purchase rural preservation loans, purchasing small multifamily loans from small Community Development Financial Institutions, and developing a tool to help identify rural properties with LIHTC or Section 8 assistance – are helpful, but insufficient.

Rural rental preservation work has not stopped because of the pandemic. Yet the Enterprises are proposing not to purchase rural preservation loans in 2020 and 2021. Freddie Mac's proposed amendments strike its 2020 objective to purchase loans to preserve Section 515 properties, without explanation and without substituting anything else. Likewise, Freddie Mac proposes to delete a 2020 objective to develop and release a loan offering that would support the Section 538 program. It does propose to make LIHTC equity investments under several objectives relating to serving rural needs but, again, while these are helpful, they are not enough.

Fannie Mae proposes to revise a previous commitment to purchase small multifamily loans from lenders with under $10 billion in assets and instead purchase only from CDFIs below that asset threshold. As a CDFI, HAC strongly supports the role of CDFIs in rural rental preservation. But Fannie Mae's narrative does not explain why this pool of eligible lenders should be narrowed.

Fannie Mae also proposes that in 2021 it will "consider [emphasis added] coupling debt with LIHTC equity and/or relaunching Fannie Mae's permanent loan option for the construction, acquisition, or rehabilitation of rural multifamily properties through the USDA's RD 538 program." It is reasonable to expect that, after having several years to consider the Duty to Serve obligations for rural rental preservation, Fannie Mae should be able take action in 2021.

In addition to purchasing loans in 2021, the Enterprises should also:

- Support CDFIs and other mission-driven lenders in complex preservation deals by helping to cover their costs or lowering fees.
- Invest equity or debt in the preservation loan funds of CDFIs.
- Make small grants to preservation purchasers, particularly nonprofit organizations, to cover some of the costs involved in preservation transactions.

The Enterprises Can Help Preserve Properties Without Rental Assistance. Fannie Mae and Freddie Mac can also play important roles in addressing the additional preservation needs developing because of the coronavirus recession. Affordable housing without government support, or with some aid but no rental assistance, is endangered by the lack of ongoing rental assistance, unemployment insurance or other aid for those who have lost income in the current recession.

The Centers for Disease Control's eviction moratorium[19] provides temporary protection for tenants, but does not shield them against the burden of accrued rent coming due when the moratorium ends, and does not help property owners who rely on rental income to pay their own mortgages and expenses. Many small property owners are in danger of being driven out of business. Owners report that speculators are interested in purchasing their properties.[20] These purchasers are likely to raise rents and remove the properties from the affordable housing stock.

A new form of preservation action is needed, quickly, yet neither Enterprise discussed this need in its 2020 or 2021 draft plan. In addition to forbearance and the activities already proposed for 2020 and 2021, Fannie Mae and Freddie Mac must encourage lenders to use existing flexibilities and develop new products to keep mom-and-pop landlords in business. HAC suggests the Enterprises take the following steps immediately in order to help preserve more of these affordable rental properties.

- Encourage lenders to offer refinancing that would lower property owners' debt burden, with flexible underwriting that acknowledges the recession has interrupted cash flow.
- When a property owner requests forbearance, encourage lenders not only to forbear, but also to modify loans to extend their length so there will not be a balloon payment or a substantial increase in monthly payments at the end of the forbearance term.
- Offer new loan products for these owners with long terms and flexible payment arrangements such as interest-only payments for a period of time.

Thank you for hosting this series of listening sessions. HAC truly appreciates the opportunity to speak to both the successes and the yet-untapped potential of Duty to Serve in rural communities.

Sincerely,

David Lipsetz

David Lipsetz
CEO, Housing Assistance Council

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[19] Centers for Disease Control and Prevention, U.S. Department of Health and Human Services, "Temporary Halt in Residential Evictions to Prevent the Further Spread of COVID-19," Federal Register, September 4, 2020, and "HHS/CDC Temporary Halt in Residential Evictions to Prevent the Further Spread of COVID-19: Frequently Asked Questions," n.d., https://www.cdc.gov/coronavirus/2019-ncov/covid-eviction-declaration.html.
[20] Abby Vesoulis, "How Eviction Moratoriums are Hurting Small Landlords – and Why That's Bad for the Future of Affordable Housing," Time, June 11, 2020, https://time.com/5846383/coronavirus-small-landlords/.