TED WARTELL: Good morning, welcome to FHFA. My name is Ted Wartell, I'm the manager of the office that oversees Duty to Serve here at FHFA. On behalf of everyone here, thank you very much for spending your first day back from Thanksgiving with us. This is the third of four Duty to Serve Listening Sessions. We held the first two the week before Thanksgiving in St. Louis and Los Angeles. After today we have one more which is a virtual listening session which is next week, on Wednesday, the 11th.

I would say that, you know, input from the public on Duty to Serve is an extremely important part of the program. We seek it often. It's very, very helpful to the Enterprises and to FHFA. And sessions like this are extremely important. So we thank you very much for your time. We also hope that it's helpful to you, as we all try to have as much impact as we can on Duty to Serve.

We have a very full program today, starting with, in just a few minutes, a summary from both the Enterprises and from us on the -- a short summary on the status of Duty to Serve. And then we'll start our first panel around 9:00 o'clock. And lastly, I would say, remind everyone that Director Calabria will be here at 11:40 a.m., to share some of his thoughts on Duty to Serve as well.

So thank you again, and I think I will introduce the first speaker who I think is Jeff Hayward from Fannie Mae. Jeff.

JIM GRAY: Let me just make a couple of comments, if that's alright, before Jeff.

TED WARTELL: Sure.

JIM GRAY: First everybody should know that- I'm sorry, my name is Jim Gray, I work with Ted to direct the Duty to Serve team for FHFA. (Unintelligible) We want everybody to please understand from the outset that this session is being audio recorded. So, the purpose of the recording is to prepare transcripts. So there will -- you will see the words that you speak in a written transcript that will eventually be on our website.

Also, as Ted -- I'll reiterate something Ted said, that we do place a very high value on public engagement. And we do think of the people in this room as being critical partners to supplement the understanding that people at the Enterprises and people at FHFA have about these markets, because so many of you are very, very close to those markets. All right, so with that, I will turn it over to Mr. Hayward.

JEFF HAYWARD: All right, thank you Jim. Good morning everybody.

AUDIENCE: Good morning.

JEFF HAYWARD: Well this is, it seems kind of dark and somber here. It just does. All of you seem like you're like, oh my god, I'm here and I'd really rather be asleep. I hope that's not true.

I am Jeff Hayward, as Ted said when he introduced me. I am the executive that is responsible for Duty to Serve at Fannie Mae. I think sometimes before we talk about where we come from, we should really talk about appreciating the journey. And I was part of the team that wrote the plan. So, we started way before there was anything to think about, just having the law as really our reference point. And we went about the business of developing a plan that addressed the three markets.

We knew at that time, that there was no way we'd get it right the first time. We knew that we would be testing some things that would work very well, and some things that wouldn't work so well. And that's all kind of borne out, and we've learned a lot of lessons in the journey. But I'll tell you this about my colleagues at Fannie Mae. The folks who work on Duty to Serve every day, they feel like it is a privilege and an honor to serve in the way they serve. If you ask them to talk about what they like the most, it's the things that we've worked hard to get accomplished, that do happen.

And so I have to say it would really be short shrift to just judge us just on our results because the effort that went in from the staff to get the results that we have, has been exemplary. And I know because I get to see it firsthand. And anybody who works at the company will tell you they meet with me all the time. I know exactly what they're doing, and I know exactly what the struggles are. The struggles are mighty because the problems are mighty, but we're not discouraged. We really, really want to be part of the solution.

So, here is some, that you see on the slide, of what we do to (unintelligible). One, we really think that aspects of Duty to Serve really help grow our affordable housing mission. As you know, we have housing goals, and we now have duties and it really does, we put them all together, it's made us a more effective organization in terms of serving our housing mission.

Duty to Serve is integrated in the business. Just think about this for a second. I run multifamily business, that’s my daily job. It is integrated in everything we do. If you talk to the single-family team, the single-family team is integrated all day long on this point. It is in the business as it was intended for that to happen.

So, here’s kind of what some of our accomplishments are. One, spreading the word. So really part of this was just getting out to different locations, listening and talking and responding. And a lot of that happened — hours and hours of travel time and briefing papers and all those things. All those things happened in the first year. And I think there’s some things that we learned along that journey.

One, market dynamics are different in every place. And there is really -- there’s a real difficulty in trying to identify something that will work in every market, because every market has something a little slightly different to offer. And trying to figure out how you can offer something of value that really goes through a bunch of markets is really hard to do. I’ll tell you, that’s one of the things that we learned. But we worked it out.

The other thing that really is key is we get nothing done without lenders. And so, part of that journey is really bringing lenders along with us to work with us. But really part of what makes us great is the partnership with lenders, but what makes it difficult to get work done is, we have to rely on lenders' operations and their systems and the things that really incent them from a monetary standpoint. And so figuring out how to bring lenders along in this journey really was a hard thing to do. And I would say it's probably one of the most difficult things to do because we can't directly point our finger and say "do this." The lender has to really want to do it. And that really is something we've learned in the previous year.

So what are some of our accomplishments? Well one, MH Advantage, which there are people at Fannie Mae, this was their baby. Meaning they cradled this thing, they rocked this thing, they worked on it -- this was their baby, MH Advantage. What we learned is you've got to get distribution, and that requires -- there's a whole bunch of things that went in our plan, we didn't anticipate we'd have to figure out. For it to really take traction we have lots more work to do. But the fact that we got it once, we figure, there are houses rolling off the factories. We think that's quite an accomplishment.

In general, since people look at how many loans we bought, our business is up 26 percent. So, the numbers say we did more, we'd like to do even more. But the numbers say we did more.

One of the things that, when the plan was envisioned, we talked about is, the fact that tenants in manufactured housing sites, their rents can go up astronomically. And so, one of the biggest accomplishments was getting tenant pad lease protections done. Where the average tenant can have a fair rent, and then (unintelligible) these kind of crazy rent increases that they post. So, we think that that was a major accomplishment to do that for those tenants who would benefit, and we look forward to doing even more of that.

So in the preservation space, I'd say one: around energy efficiency. This is something that's really important to our company. It is pervasive throughout both the businesses, single-family and multifamily. It really is trying to get the information out to the public about how, if you save energy, you actually are in a better position to spend your money on housing. I mean these things are just – are inextricably linked. And our own -- REO financing, we incorporated part of this, all the energy stuff. So again, I think putting and integrating energy into the work we do is another accomplishment that we did.

In rural, I think the first thing is an MOU with some of the Native American Tribes. Now, have any of you ever tried to do an MOU? Raise your hand if you've tried to do an MOU with tribes. Raise your hands. We have one person here, two, oh my gosh, two. This is hard, hard work. The fact that we got one done, to me, is a big deal. Because think about it, every tribe is a separate nation. So it's like negotiating with another country. Just understand that and the amount of work and the understanding it takes to do that is really, really difficult.

We did exceed our loan service -- our loan targets in high-needs rural. We are proud of that, but we wish we had done more. But again, this gets to, as you start working with lenders, you really have to find lenders that are making the loans that actually meet the risk profile that we are permitted to take. So part of the secret here is not just to be able to say, I'll buy loans, part of the secret is, find out if they're loans that meet your long-term sustainability objectives and meet your risk profile. And that is really kind of the holy grail through all this (unintelligible), finding loans that really are a good risk for you, but also offer the liquidity that we really want to offer. I think we got a lot done there.

Just again, some of the learnings are: relationships matter and partnership matters. And that's every place and that's pervasive, and we find, where people are actually willing to sit down and chat with us and have a relationship as opposed to throwing a rock at us or a stone at us, actually more gets done. And so we look forward to really having more relationships going forward.

We did do some new things, innovations. So you think about MH Advantage, that was new. And we got that done. And we did a lot, tenant pad lease protections in general, but more to do. Going forward, I'd say this: we have got to simplify the plans. Again, I think we all had the best of intentions when these things were done. We were all trying to solve these very intractable pervasive problems, and we went about it in the most sophisticated way we could do it. The thing we have learned, let's relax the sophistication a little bit, going forward. Let's just get to more basic, more understandable, more linear goals and objectives and ways to do this. We have learned it was just too complicated.

And I would say, test and learn. Let's test some things. Some things will be scalable, ready to go. Other things will be horrible, we'll just need to kill them and move on. But this whole thing about test and learn, we really need to get that (unintelligible).

And then loan tracking. As I talked about, we don't get anything done without lenders. Lenders label the loans that are sent to us that enables us to track it. To the extent that we can't get lender systems to label the loan properly, and then bring it in to us so that we can count it, it really gets tough, because you don't know how well we perform, because we can't track all the stuff. So, the lesson we learned is really focused on trying to get this information from the lender into us so we can make sure we can track it going forward. It just is what it is.

The last thing I'll say before I get off stage and let my friends at Freddie Mac get up, this whole idea of scaling, we really have to pay close attention to. And I'll give you some of -- kind of my thoughts on this. One, the idea that you can scale in rural is a dumb idea. Right? By its very nature, rural is few people, and opportunity, but it's never scalable. So understand that you can only do a few things, and try to do them well in rural, but you're never really going to scale because by its nature, rural is actually not scalable. And anybody who thinks it is, I don't know what you're thinking. It just isn't.

And in the other places, spending the time to figure out how to scale before you put expectations out and put loan targets out there, I think is worthy of it, and we're going to do some of that. Really spending the time to see what can we scale. And then hold us accountable when we say we're going to scale it. But we really have to be careful about what we say can be scaled. Because not everything can be, and like I said, by definition, I do not believe rural can do that. That's my own opinion.

And another around communications, I think we all can be better about communication. And here's what I mean. One I think telling everybody the truth about what we can really do, and what we can't do. That's part of communication. It's looking each other in the eye and telling each other the truth about what you actually can do and what's achievable, and what can't we do. I think some of that truth telling really has to happen in our communication.

Two, us listening and listening hard, and where we think we can really help, say we can help, and get it done. But what we think we can't, say I'm sorry we actually don't think we can help you. But really that honesty in communication I think is missing and we have an opportunity to get better as we go forward, in the plan.

And with that, I have done my ten minutes, and I'm turning it over to the wonderful people at Freddie Mac. Now notice I didn't say they were terrible people. I said they were wonderful people. The wonderful people at Freddie Mac, it's all yours.

MIKE DAWSON: Well good morning. How is everybody doing? My name is Mike Dawson, and I'm on the single-family side at Freddie Mac. We have primary responsibility for the activities related to Duty to Serve and housing goals and access to credit. Corey and I will be tag teaming this morning.

So first a quick commercial. There is a brochure in the back, of Freddie Mac's year one accomplishments in the Duty to Serve underserved market activities. So, it's a great booklet sitting back up towards the exit there on that little wall there.

But I did want to take the opportunity to kind of go through, Corey and I will go through the accomplishments we've had over the course of the last several years in Duty to Serve. And one thing to remember, that Freddie Mac is probably best used as a catalyst for change. In the form of scale where it's appropriate, standards and standardization across, whether it be data, whether it be appraisals, whether it be other activities. And certainly in consistency, consistency in the form of presence in markets, because as our customers and you know, we don't lend directly, working with the lending community and others, is to ensure that when they establish programs in the market, Freddie Mac is always what we call "ready bid." Ready access to credit, ready access to purchasing of loans. And that’s where it comes back to kind of the three tenets we started with and we will continue with here at Freddie Mac.

One is to provide sustainable liquidity. As I said financing in these markets is crucial but having a sustainable presence there is what it's all about.

Distribution of investment capital. Again, where we place our capital and how we place it, and the consistency of that placement is what our partners are looking for. We just had two, and you'll hear more about them in a minute here, also the risk distribution. We don’t hold all those risks on our balance sheet, we look at distributing them through our credit risk transfer transactions and the other types of activities we hold in managing those risks.

And developing solutions and presence. We don’t do that alone. It’s a collaboration with many of you in this room. Collaboration with those involved in these markets across the country. We cannot do this alone. And it seems like it started with, I think the catalyst for the changes in these markets, is one of consistency. And we plan and we continue to develop these activities with the long term in mind. In fact, we take time to develop many of these programs. And we’ll stay in these programs to see that through until they’re developed, to create that sustainable liquidity and ensure that these markets will have legs in the years to come.

COREY ABER: All right, and I’m Corey Aber, I’m the Director of Mission Policy and Strategy for our Multifamily Business and oversee Duty to Serve for multifamily.

As we look back at the first plan that we wrote, you know, we were looking to do two things from that. We wanted to have immediate impact where possible. So you saw in that plan a lot of focus on loan purchases in the parts of the market that we had a footprint, that we had long experience in.

And we also wanted to build partnerships and capabilities for areas that we were entering or expanding in under Duty to Serve. So, you can see a lot of new capabilities, a lot of new offerings. But also a lot of research, because it’s not just about those of us who are in the room today, those of us who are continuing to be involved in these markets, but as we look to improve the distribution of investment capital, that means working with those who are not in these markets today. Who are not in the room today. And so there’s some important aspects of not just us becoming more educated about the markets, and working with all of you, but also educating those who are going to be our investors, in the securities that we put out so that they have a better understanding of what they are investing in. And you can see that throughout our plan, and the goal is to keep purchasing loans, the goal is to improve understanding and transfer risk and attract private capital, because that’s how we provide sustainable liquidity over time.

And you can see in some of our highlights-- the things we’re really good at. I mean, you can see the affordable housing preservation in multifamily (unintelligible) over $7 billion in loan purchase and guarantee volume, to support Duty to Serve, just in one year. We transferred the majority of credit risk on approximately 90 percent of the loans. And that's why we think over time it’s good to go through the process.

We've done a lot of increase in our support for the different categories - LIHTC debt, Section 8. You know, when we look back to when HERA came out, we were doing a billion, a little bit more than a billion in affordable housing preservation. And we grew that to $7.7 billion from that time. We controlled (unintelligible) for a long time.

And you can see in manufactured housing on the community side we were focused on how we can support resident-owned communities. And how we can also incentivize borrowers to add tenant pad lease protections to the properties. We are stabilizing our (unintelligible) -- we saw an immediate uptick of that. We spent some time surveying the markets, developing an understanding, not just for us, but for everybody else, what the states are doing. And then we've we put out our offering to do that, and we began purchasing loans immediately.

And in the rural markets we focused a material percentage of our LIHTC equity authorization on rural markets and (unintelligible) this year. And we also created, again one of the key points of expanding understanding for the investors, a better view of what it is that they're going to invest in, and so we created a Duty to Serve mapping tool that maps the entire affordable housing market. Every subsidized property in the country. We partnered with the folks at the National Housing Preservation Database to do that. And you should know it’s free, available on our website. And that was about helping our lenders understand where rural properties are so they can work with us to finance those properties, and helping our syndicators better find them for credit.

MIKE DAWSON: So on the single-family side the theme was consistent across all three markets. You know, we met with individuals, institutions, contract organizations and other organizations in each of these markets to refine and in some cases launch new products, programs and services in support of those markets. In many cases, whether it be on the manufactured housing side, or renovations, sweat equity, community land trust activity, what we call Green Choice mortgages, if we are looking to provide more sustainable financing for energy efficient features on first-lien properties -- it all started with the basis of one, getting a deeper understanding of what the needs are from a borrower perspective and a lender perspective, and even from an investor perspective, as we went deeper into these markets.

But each of these required more interim standardization, as I mentioned earlier, from a data and data collection, (unintelligible) expect it there. And most importantly from an appraisal standpoint. One of the consistent themes, again, across all these offerings is one of ability to use more of it, (unintelligible) can take more advantage of it, and to (unintelligible) a consistent view of value, whether it be for energy efficient features or manufactured homes, what have you. People want to get paid for whatever improvements or what was involved in improving whether it be the home, or what have you there. But everyone would want to see a consistent view of value so that they could invest into developing some of these programs.

So we've spent a lot of time with the Appraisal Institute, a lot of time educating, a lot of time informing, and providing resources to our lender customers and others to show that not only do you have a product offering there, but you’ve got additional deep supports, in this case through the valuation and appraisals, and other activity there to create a longer term, sustainable deep engagement there.

COREY ABER: And so now we're here today to listen to you about what to put in our next plan, but we’re not done with the one that is in place now. We have one more year to go under it. And so I did want to highlight a few things that you can expect to see more of. You can expect to see more work done on tenant pad lease protections. We expect to be purchasing more loans there. We expect more LIHTC equity investments in rural markets. We expect to continue to provide a great deal of liquidity in the affordable housing preservation market in multifamily.

MIKE DAWSON: So definitely on the single-family side, as you saw on this previous slide we’ve been impacting markets through purchases, right, at the end of the day. And providing that liquidity and providing that financing in those markets is reflected through our purchase activity. We are very proud of the purchases we had over the last couple of years. Actually over the last many years, for these markets.

In 2020, we're going to drive deeper into the impact zone, working again with our lender community, and our other partners, in all of these places, to drive broader acceptance of our product offerings here, which would ultimately drive more purchase activity to Freddie Mac. So that's going to be a consistent theme that you'll see from us.

Some of the challenges that you see here, as Jeff talked about earlier, these markets are hard, right? There's no two ways about it. In a lot of cases, particularly the small financial institutions as an example, as we started to plan and setting up our baseline activities there, as you probably saw reflected in the publication of our plan, we started with baseline purchase numbers off of the 2014, 2015, and 2016 purchases at Freddie Mac. In the small financial institutions case we compared the number of institutions in 2016 relative to the number of institutions today that would fit the categorization of small financial institutions, that they have $304 million or less in total asset size. And the number of institutions fell by over 800 or so, whether because of mergers or growth or what have you. And that will continue to be a challenge. Obviously, that's why we are anticipating fewer small financial institutions in these markets.

Zoning, adoption of new initiatives, as I mentioned before appraisals, and other of those components, are challenges but they are also opportunities to provide additional resources, too; training and additional information to help solve some of those issues. But you'll see more of those as potential solutions as well going forward.

So with that, thank you very much, and enjoy the day and we look forward to all the discussion and your questions at lunch.

JIM GRAY: Thank you Jeff, Mike and Corey. So you all got a good overview there of how the Enterprises regard their performance in the first year. I want to introduce two of the other people who have not yet been introduced who are on the dais, that's Ted, and you just heard from Mike Dawson who speaks for the single-family business at Freddie Mac, and Corey Aber who speaks for the multifamily business. To Corey's left is Nate Shultz, who is listening for Fannie Mae for the single-family side of the business, and then Crystal Bergemann at the end is the multifamily person for Fannie Mae. So, there will be, throughout the day, there will be two of us here for FHFA, two for Freddie Mac and two for Fannie Mae, whose explicit role is to primarily listen as you all come up and give your remarks.

I'm going to try to make up a little bit of lost time, since we started a little bit late. And also because Jeff, Mike and Corey did such a good job of summarizing the 2018 results, I will point you all to about an eight-page document, or eight-page piece of FHFA's Annual Housing Report that you could find online, that summarizes the Duty to Serve part of Fannie Mae and Freddie Mac's performance for 2018. The bottom line is that what FHFA determined to do for 2018, was to rate both companies' performance as satisfactory. And that is because we did -- after only one year, it was very difficult for us to reach the granular ratings that we had laid out in the regulation. So for the first year we determined that that was the most appropriate way to treat both companies fairly, and also have a credible process.

There are -- that notwithstanding, as both companies have pointed out in their analysis there are a large number of significant accomplishments that they can each point to for 2018. And they did a good job of summarizing those.

In terms of lessons learned for the Federal Housing Finance Agency, certainly we would concur that the plans were too long and too complicated. And we do want to figure out a way for it to be easier for those of you who are trying to consume what Fannie Mae and Freddie Mac are putting out, to have something that's simpler and easier to digest.

Also, since the plans -- since the end of 2018, we now have a new executive team leading FHFA and they are taking a top to bottom look at the Duty to Serve program to see what things we should consider changing to reflect the input and the policy direction of our new leadership. So, we are all listening carefully to what you all have to say today as we proceed with that.

So now I'm going to move on to the guidelines for the listening session. One thing that I was supposed to say at the beginning that I didn't, and I think probably most people have heard this by this point. We do have food and drink outside, that you are welcome to partake in out there. But unfortunately, you cannot bring any food or drink, including water, into this room. We at the -- the speakers are allowed to have water up here, but that's it. So, I apologize for that, but we seem to have strict rules about that at Constitution Center.

In terms of what you can expect today, we're going to have a series of panels that are topically arranged where we will hear from speakers who have worked in each of the three underserved markets that Fannie and Freddie have their plans divided into, and that are identified in the Duty to Serve as manufactured housing, affordable housing preservation, and rural housing.

I also want to point that just last week, FHFA posted the periodic reports, and the final reports that Fannie Mae, Freddie Mac submitted on their work in 2018. I would also urge you to be sure and to go online and take a look at those reports. There's also a very helpful dashboard that summarizes the Enterprises' single-family loan purchases for 2018.

All right, so the first panel is going to address the affordable housing preservation market. And I'm going to, in just a minute, I'm going to call the first speaker, and then we are going to ask that the next speaker to please be ready to come and sit, anywhere in the front two rows will be fine. And then as each speaker is called, we ask that the on-deck speaker please come down to be in one of the first two rows.

All right, so before we start, is everybody clear on what to expect? Does anybody have a question that you think would pertain to the whole group, we can try to address that before we start. Okay. Seeing none, our first speaker is Ellen Lurie Hoffman, the Federal Policy Director at the National Housing Trust.

DAVID SANCHEZ: And, sorry, but on deck will be Antoine Thompson from the National Association of Real Estate Brokers. And I also want to let you know that we're going to have a timer here, which looks bigger in smaller rooms, it looks pretty small in this room. That's going to give you a green light for your first six minutes of your remarks, and turn yellow and red, and you have a seven minute deadline, I believe, for each speaker.

ELLEN LURIE HOFFMAN: Thank you, thanks Jim and David, and thank you for the opportunity to be here to provide comments to the Federal Housing Finance Agency, to Fannie Mae and Freddie Mac, the Enterprises on the 2021 through 2023 underserved market plans required of the Enterprises to meet their Duty to Serve obligations. My name is Ellen Lurie Hoffman, I'm the Federal Policy Director at the National Housing Trust, and we focused our comments this morning in the area of affordable housing preservation.

NHT is the nation’s leading expert in preserving and improving affordable housing, ensuring that privately owned rental housing remains in our affordable housing stock and is sustainable, over time. We use the tools of real estate development and rehabilitation, finance and policy engagement. Using those tools we have been responsible for saving more than 36,000 affordable homes in 50 states, leveraging more than $1.2 billion in financing.

In previous years, NHT provided detailed comments on FHFA's Duty to Serve proposed rule and the Enterprises' previous underserved market plans. The following comments are targeted to the future underserved market plans and they are informed by NHT's many years of development, lending and policy experience.

I wanted to just start by talking in general about how important we feel the duty to serve itself is. We have appreciated FHFA's on-going commitment to facilitating a robust and transparent planning process for Duty to Serve which is needed to get input from stakeholders and the public as is evidenced here. It results in meaningful metrics and anticipate continued outreach and engagement with stakeholders.

By holding the Enterprises accountable, FHFA ensures that Fannie Mae and Freddie Mac increase liquidity of mortgage investments and improve the distribution of investment capital for mortgage financing for underserved markets. That accountability relies on FHFA maintaining an evaluation mechanism that rewards the Enterprises for undertaking the more difficult challenges, as well as requiring detailed reporting and its release to the public. This reporting also enables stakeholders to collaborate with the Enterprises and learn from both their successes and their failures. The Duty to Serve process directs appropriate attention and resources to the critical work of the Enterprises in understanding and responding to the needs of the underserved markets.

And now I'm just going to get into a couple of more specific topics, really just two this morning. The first is on entity level support to community development financial institutions, or CDFIs. CDFIs such as the National Housing Trust Community Development Fund, NHT-CDF, providing flexible sources of predevelopment and interim development funds for mission-aligned development organizations working to purchase, rehabilitate and preserve affordable rental housing.

CDFIs are key partners in the affordable housing preservation market because of their ability to take small amounts of public funding and leverage it with private capital, increasing the availability of financing for preservation projects. NHT-CDF provides early stage acquisition and predevelopment funding necessary for developers to secure permanent financing, typically debt through Low Income Housing Tax Credits. NHT-CDF lends to preserve or create roughly 2,000 units per year, and the majority of our loans are taken out by loans from Fannie Mae or Freddie Mac. CDFIs like ours are the only ones providing flexible early stage capital needed for the Enterprises to deploy their products.

However, many CDFIs still lack access to the capital markets supported by the housing finance system, causing some CDFI housing lenders to experience liquidity challenges and inclusion of more mainstream sources of housing finance becomes stalled. The Enterprises have the potential to spur affordable housing development and preservation and address the needs of low-income communities by providing CDFIs with liquidity for their lending activities, as well as by increasing support for training and technical assistance needed to build the capacity of lenders working in difficult to serve markets.

NHT urges FHFA to approve entity level support in US Treasury certified CDFIs working to preserve affordable housing, and allow them to receive Duty to Serve credit for those activities. With approval from FHFA the Enterprises can support CDFIs at the entity level in several ways by providing capital or enhancing CDFIs' ability to raise and deploy capital. Duty to Serve credit could be received by making direct investments in, or loans to CDFIs as they were previously authorized to do. And I have a written statement which I'll give you all which has this all spelled out.

The second point, second and final point that I'm going to make this morning, has to do with non-LIHTC, other than Low Income Housing Tax Credit equity investments. The ability to facilitate a more liquid secondary market for the preservation of affordable housing serving low-income families is heavily dependent on the availability of equity investments. For this reason, NHT urges FHFA to authorize the Enterprises to provide equity investments in addition to those associated with the Low Income Housing Tax Credit. Non-LIHTC equity investments would provide an extremely impactful way for the Enterprises to meet their Duty to Serve, by helping to provide capital for unsubsidized rental housing serving low- and moderate-income renters. Unsubsidized affordable units comprise a significant portion of the nation's rental housing stock. In many markets these units are being permanently removed from the stock due to obsolescence or upgrading to higher rents.

I'm going to skip to the end as I see I'm running out of time. But that was provided in my written comments. Markets are failing to produce new units with rents that many low- and moderate-income households can pay. Capital is needed to preserve this important portfolio as affordable to low- and moderate-income renters, many of whom are ineligible for existing federal affordable housing subsidies such as LIHTC or Section 8 rental assistance.

The current sources of equity capital that address the needs of low- and moderate-income renters are private equity vehicles from real estate investment trusts. However, these channels are both limited in number and inconsistent with the commitment for the long-term availability of rental properties. By making equity investments the Enterprises can provide both reliability and structure to respond to these needs. In awarding Duty to Serve credit for investments in unsubsidized affordable housing FHFA could provide credit for units that are affordable to lower income residents and units that are affordable for a range of residents. And you could request that the Enterprises provide evidence that a property is at risk based on local market conditions and ownership in order to receive the greatest level of Duty to Serve credit. Thank you for your consideration of these suggestions (unintelligible).

DAVID SANCHEZ: Thanks Ellen. Up next we have Antoine Thompson, the Executive Director of the National Association of Real Estate Brokers. And on deck is Kris Siglin, the Vice President for Policy and Partnerships at the National Community Stabilization Trust.

ANTOINE THOMPSON: Good morning. First I would like to thank Director Calabria and Jim and David and the rest of the staff at FHFA and Fannie Mae and Freddie Mac for the opportunity to give comments today on behalf of the National Association of Real Estate Brokers, which is comprised of black real estate professionals and others from more than 31 states. We are on a mission to create two million new black homeowners.

According to the US Census of June 30, 2019, the rate of black homeownership hit 43.9 percent compared to 73.1 percent for white homeownership. The Duty to Serve rule should play an even greater and bigger role at reducing the racial disparities in homeownership. The National Association of Real Estate Brokers offers some of the following suggestions to help reduce the racial disparities in lending and homeownership in the United States of America.

One, we believe that race and ethnicity should be a mandate in the GSEs' Duty to Serve rule. Whatever gets measured often likely gets done. Specifically, the Enterprises are required to provide a leadership role in developing loan products and effective underwriting guidelines to facilitate affordable homeownership. There's been some progress in programs like Home Ready and Home Possible, we need to go beyond those two programs to expand the rate of homeownership for African American and other communities.

The secondary mortgage market on housing for very low to low- and moderate-income families for affordable preservation needs more creativity as well. We need to see more, a greater investment in the preservation of affordable homeownership. Currently we looked at the number of loans that are purchased by the GSEs, for African American buyers, they're not reflective of the demographics of the United States of America. In fact, they are significantly lower than the African American population.

Additionally, we need greater investment in outreach and homeownership grants in underserved markets. We have not reached the pre-crisis outreach, dollars allocated for outreach and marketing in these respective communities. I know that, and we understand that your hands have been slightly tied due to the conservatorship but as we move out of conservatorship, we need to see a more robust strategy to deal with that.

Given the fact that the GSEs have done some great research that they've shared with us about African American millennial buyers, Freddie Mac, we want to thank them for their research that demonstrated that there's over 2.1 million African Americans that can -- that are mortgage ready. Some of them have thin credit files, some of them are just choosing to sit on the sidelines, and we need to help the GSEs and FHFA on an aggressive outreach effort because there are 1.7 million black millennials that make over $100,000 a year in about 15 markets and they are mortgage ready, but they are choosing to sit on the sidelines for homeownership. We can't do it alone. We need the tools that you all can bring to the table to help improve the rate of homeownership.

The last couple of items deal with monitoring lenders' performance as it relates to fair lending, and how we look at CRA and other opportunities, credit policy, and being able to better measure the performance of the lenders that you're purchasing loans from. We don't think that that process has been clear enough, and that the report -- that we have some type of report cards that are shared with industry leaders.

The last thing is that, we thank you for all of the information that FHFA provides on its website. We will be looking at the comments, the reports that you just mentioned, as we finalize our final comments on the underserved market plans. We think that more industry input is needed on those underserved market plans so that we can help -- better help the FHFA and GSEs reach its market potential. Again thank you for your attention to our comments, and the National Association of Real

Estate Brokers looks forward to working with leadership of FHFA and the GSEs as we move forward. Thank you, have a great day.

DAVID SANCHEZ: Next up is Kris Siglin from NCST and on deck we have Peter Lawrence, the Director of Public Policy at Novogradac.

KRIS: Hello, I'm Kris Siglin, Vice President for Policy and Partnerships at the National Community Stabilization Trust. And we're grateful for the opportunity to comment on Freddie and Fannie’s Duty to Serve. NCST is a national nonprofit organization that works to restore vacant and abandoned properties to productive use, prevent blight, and support affordable homeownership. Established in 2008, NCST has enabled the rehabilitation of almost 27,000 REO properties, including approximately 6,500 properties acquired through the Neighborhood Stabilization Initiative partnership among FHFA, NCST, Fannie Mae and Freddie Mac.

I'd like to start with some Duty to Serve progress to date. Eleven years after the foreclosure crisis vacancies continue to plague numerous communities regardless of the rate of REO flow, especially communities of color, those in legacy cities, and those with low-income families. As Alan Mallach noted in his report *The Empty House Next Door*, although vacancies have declined from the height of the crisis, they are still significantly elevated. There were 3.7 million vacant properties in 2005, yet there's 5.8 million in 2016. Many of these vacancies are in areas suffering from what Mallach terms "hypervacancy," a phenomenon experienced by areas with vacancy rates over 20 percent, where housing markets are far less likely to recover without intervention.

Additionally, the U.S. housing stock is aging and repair needs are accumulating. According to the Joint Center for Housing Studies, 40 percent of the U.S. housing stock is at least 50 years old. In neighborhoods with low-income or more elderly residents, the homes have often experienced years or even decades of deferred maintenance. Many of these homes were rented out by slumlord investors who failed to make repairs even while tenants were in place.

For these reasons, it's important that Duty to Serve includes neighborhood stabilization as a regulatory activity, and NCST commends Fannie Mae for including this activity in its initial Duty to Serve Plan. NCST has seen some progress related to this decision, including efforts to create a renovation loan product that can be used by nonprofit developers as well as improvements to renovation (unintelligible). (Unintelligible) residents with lenders who participate in renovation lending. Additionally, Fannie Mae has been hampered by an unduly restrictive definition of distressed properties.

NCST community partners who (unintelligible) work with distressed properties see multiple challenges, not just new REO properties. Other challenges are tax foreclosures, receivership, nuisance abatement and acquisition. Additionally, even for homes that get transferred through market sales or short sales there are often significant repair and rehabilitation needs.

As we look forward to 2020 and beyond, NCST believes that neighborhood stabilization is a critical issue that merits being included in both Enterprises' Duty to Serve plans. To this end, NCST recommends the Enterprises undertake the following initiatives: Continue to focus on providing renovation mortgages for nonprofits as well as for homeowners, including more effectively recruiting lenders to offer these mortgages. Update the definition of distressed loans to include all relevant channels. Invest in CDFIs that finance nonprofit acquisition and rehab of distressed properties. Pilot new approaches to encourage lenders to make small-balance loans. And finally, finance affordable tenant-friendly single-family rentals in both rural areas and (unintelligible) in urban and suburban locations.

Before I conclude, I would like to thank FHFA for their robust and inclusive process it has undertaken beginning in 2016 with the revised proposed rule for the Duty to Serve requirement. Through the implementation of Duty to Serve, FHFA has run a remarkably open and accessible process, enabling external stakeholders to provide input into the activities that are of utmost importance to individuals and markets currently underserved by the Enterprises. We greatly appreciate this level of engagement. The stakeholder outreach, the listening sessions, and the Duty to Serve website have all made it much easier for stakeholders to understand what the Enterprises are being asked to do by FHFA, and what their plans are.

Events since 2008 have demonstrated exactly why there should be public obligations for the Enterprises in exchange for their government backing. Congress chose priorities for Duty to Serve that have been perennial challenges in the affordable housing space: rural areas, manufactured housing and affordable housing preservation. These areas are in the statute because it has been difficult to deploy capital to support them, and Congress wanted the scale and market sophistication of the Enterprises brought to bear to improve our system. As the Enterprises continue into their second decade of government conservatorship the logic of Duty to Serve remains: there should be public benefits in exchange for the Enterprises' government backstop.

As we reflect on the evolution of Duty to Serve since 2016, we would like to offer a few observations about both the process and the outcomes to date. With regard to the Duty to Serve process, it's critical to have a robust and transparent planning process that includes significant input from stakeholders and the public and that results in meaningful metrics and plans for outreach and engagement with stakeholders.

It's also important to have significant accountability, including an evaluation mechanism like concept scores that reward the Enterprises for tackling the tougher challenges and detailed reporting that is released to the public. However, in future Duty to Serve plans it would be helpful for FHFA in particular to emphasize that the plans should be concise, which would make them more accessible to stakeholders. It would also be helpful to emphasize outcomes rather than to belabor process steps. It is less important that the plans be prescriptive about how a goal is to be accomplished than they are clear about metrics and outcomes.

NCST stands ready to partner with both Enterprises to assist them in conducting outreach and implementing new products and approaches in those neighborhoods whose housing markets remain weak. Thank you for the opportunity to share our thoughts (unintelligible).

DAVID SANCHEZ: Thank you Kris. Next up we have Peter Lawrence from Novogradac, and on deck is Melissa Stegman.

PETER LAWRENCE: Good morning, thank you to FHFA for inviting me to participate in the listening session today. Again, I'm Peter Lawrence, the Director of Public Policy and Government Relations at Novogradac Company. I'm also speaking on behalf of the Novogradac-hosted Low Income Housing Tax Credit working group, which represents a wide variety of for- and non-profit developers, investors and tax credit syndicators.

I do want to also talk a little bit about Novogradac’s expertise in affordable housing and community development. We do have several practice areas. We are a firm of about 20 offices across the country with over 700 employees that are all involved in a variety of tax incentives, community development finance. We in particular with the Low Income Housing Tax

Credit, we have rural land, Native American-involved stakeholders through the Low-Income Housing Tax Credit and USDA programs. And we represent a number of public housing agencies and assisting them with doing their Rental Assistance Demonstration transactions, as well as owners of other HUD and USDA-assisted affordable housing.

One of the things I'd like to highlight in my brief remarks today, is to say we do support having both a qualitative and a quantitative approach to the Duty to Serve regulation. Certainly, I think it’s the case that the process can be improved, and the goals and objectives further strengthened, but overall we do think it is important to have both qualitative and quantitative measures. Having just -- numeric measures don’t capture the complexity in some of the transactions and work that Fannie and Freddie have already done under the Duty to Serve and we hope continue to do. We need to have the ability to have an evaluation framework to make sure that the best and most, highest needs are addressed under the Duty to Serve regulation.

I also want to talk about the impact of the Enterprises’ Low Income-Housing Tax Credit equity investments, both generally in the market as well as for Duty to Serve. Just as a quick reminder, when FHFA did allow Fannie and Freddie to reenter the market–they had been very dominant players about 10, 12 years ago topping out at about 35, 40 percent of the annual investment market. They're much less now, but it’s also extraordinarily important.

First, we're dealing with the impact of the 2017 tax reform legislation which reduced corporate tax rates from 35 percent to 21 percent. This is not going to reduce the desire of investors to participate in the program, but certainly given that the tax losses were not worth as much in terms of tax advantaged investment (unintelligible) for overall equity investments (unintelligible) reduced by more than a billion dollars. That having Fannie and Freddie reenter at $500 million each was a crucial support to the market that helps to aggregate transactions given that there's more of a robust market and (unintelligible) pricing has (unintelligible)as a result. Removing that would be very deleterious for the market, both generally as well as for the Duty to Serve.

I do want to say that in particular the Duty to Serve regulation has driven investment in rural areas - very crucial, given that most rural areas are outside of traditional CRA assessment areas which drive many investments in Low-Income Housing Tax Credits. And that's why we want to continue to have Fannie and Freddie focus on that market.

We want to also just note that, you know, Fannie and Freddie don't necessarily pick the scope of all of the various investments. It's a competitive process administered by the states and so therefore they are not -- I want to urge FHFA to understand that part of the process and not overly penalize Fannie and Freddie but certainly give them the flexibility to achieve as much as possible within the Duty to Serve framework.

And I would also just note, that I do think that we, under the current Duty to Serve regulation, affordable housing preservation transactions for the Low Income Housing Tax Credit do not get Duty to Serve credit. We would urge you to consider doing that given, especially, that there are a lot of pending affordable housing transactions that are likely coming over the next coming years. The Rental Assistance Demonstration cap has been increased to 455,000 units. That represents a large potential market for Low Income Housing Tax Credit equity. A large percentage of those transactions require that equity to be financially feasible. And the Enterprises could play a very important part driving (unintelligible) impactful transactions in the property demonstration space. Also we do want to note that the Section 202 Housing for the Elderly recently was made eligible for RAD conversion and that's another important need.

I see my time is running out. So I'll just, again, urge Fannie and Freddie to continue to work and FHFA to (unintelligible) the amount of tax credit equity in the Duty to Serve framework for affordable housing preservation. Thank you.

DAVID SANCHEZ: Thank you Peter. Next up we have Melissa Stegman, the Senior Policy Counsel for the Center for Responsible Lending. And on deck is Patrick Costigan.

MELISSA STEGMAN: Thank you for the opportunity to speak at today's listening session. My name is Melissa Stegman, senior policy counsel with the Center for Responsible Lending at the DC office. The Center for Responsible Lending is a nonprofit, nonpartisan research and policy organization, dedicated to protecting homeownership and family wealth by eliminating abusive financial practices. CRL is also an affiliate of Self Help, one of the nation's largest nonprofit community development financial institutions.

CRL's mortgage work focuses on striving to close racial wealth gaps and promoting access to safe and affordable homeownership. I want to emphasize the important role of the Duty to Serve process in helping to achieve those goals.

First I'd like to acknowledge that the Duty to Serve goal works within a larger more holistic framework. It does not exist in a vacuum. It is connected to and influenced by other FHFA policies, enterprises and the GSEs. And the rule is rooted in the GSEs' charter obligations and their public interest mission. FHFA and the GSEs have a duty to ensure that borrowers in traditionally underserved and/or excluded communities will have access to the mortgage market. Mission is central and should remain central going forward, through the Duty to Serve rule and otherwise. The CRL really urges FHFA to prioritize the work in the GSEs' Duty to Serve plans, while also integrating the mission behind Duty to Serve into all aspects of the GSEs' role in the mortgage market.

And I'd also like to extend appreciation for the work that FHFA has done to implement the rule and create a transparent process. This includes the stakeholder outreach and listening sessions, the website. This has all helped stakeholders and the public better understand what FHFA is actually getting you to do, and it is critical that this transparent planning process continue and continue including this extensive stakeholder feedback.

It is also critical to ensure that FHFA demands significant accountability from the GSEs and their programs and that the evaluation mechanism is robust and rewards the GSEs for taking on more demanding and ambitious challenges. We also want to continue to see detailed reporting that is released to the public. This helps stakeholders work with the GSEs and understand and learn what has worked well and not as well.

I want to talk a little bit about the importance of loan purchases as part of Duty to Serve. The goal of the Duty to Serve process is to encourage and hold the GSEs responsible for serving the underserved markets identified in the rule. It’s crucial for FHFA to hold the GSEs accountable for developing plans that produce meaningful impacts.

Although the GSEs play an important role in designing pilot programs, developing new product offerings, engagement and outreach that influence lender behavior, loan purchases are the single most important aspect of the GSEs’ activities. The GSEs’ loan purchases are what provide liquidity in the mortgage market and ensure that lenders replenish the supply of capital funds and make additional mortgages to borrowers. We urge FHFA to ensure that the Duty to Serve plans for the next cycle include more specific, measurable loan purchase objectives and that the loan purchases increase from year to year. The Duty to Serve plans should catalyze more GSE activity in what they do best: purchasing loans in order to strengthen lending to underserved communities.

This-- in addition to purchasing loans to strengthen underserved markets, we urge FHFA and the GSEs to revisit the GSEs' pricing policies and consider how the current structure is a barrier to the GSEs' ability to purchase loans to lower income borrowers and in underserved markets. Underwriting structures determine if a borrower is creditworthy but pricing structures have a significant impact on whether creditworthy borrowers can afford a mortgage. So we urge FHFA and the GSEs to dive into these issues, and consider how these pricing decisions, such as the loan level price adjustments, interconnect with Duty to Serve.

And furthermore, although residential economic diversity is a factor for extra credit, we believe that purchasing on economic diversity alone is not sufficient. Despite recent progress, our communities are being highly segregated by race and ethnicity and this segregation undermines the economic viability and social fabric of our country. It is important, and FHFA has a statutory mandate to tackle this kind of segregation as well. Efforts that promote regular economic diversity do not necessarily address the problem, because the persistence of housing discrimination means that people of color and others impacted under our fair housing laws, may not benefit from these efforts.

While our comments on the proposed Duty to Serve rule urged FHFA to incorporate a racial, ethnic and income diversity analysis, which is (unintelligible) only extra credit, we do think there's steps FHFA can take to move the ball forward and use the GSEs' position in the mortgage markets to report detailed data and reports. We urge FHFA to require the GSEs to release data related to the racial homeownership gap and apply a more robust equity and fair lending lens and analysis to the Duty to Serve plans. We are also very interested in seeing what Freddie Mac developed as part of its mapping tool for residential economic diversity.

So, in closing, I just wanted to thank you again for the opportunity to provide feedback. We truly appreciate the FHFA Duty to Serve team's work and hope that this work continues to support this important goal.

DAVID SANCHEZ: Thank you Melissa. Next we have Patrick Costigan, strategic advisor to the RAD Collaborative. And on deck, the speaker after Patrick, Katelynn, has cancelled so on deck will be Greg Hopkins.

PATRICK COSTIGAN: Good morning everyone, (unintelligible) here today. I do have some written comments, I will spare you from them, unless you're interested in them and I'll be happy to (unintelligible) to you.

Let me just make a few remarks, maybe to elaborate on some things that were mentioned by the RAD Collaborative. You might've guessed I'd talk about that. I was pleased to have worked with Secretary Donovan in the Obama Administration getting the RAD program going. We think that it's working pretty well. We worked a lot with the senior team here at FHFA, back then to talk about including RAD as an eligible activity. We think that makes tremendous sense.

So far we don't have data. We know that RAD is working pretty well, we know that capital is being generated, we know from a recent evaluation that we've seen about $12 billion of debt and equity capital be created. It's going to the public housing developments that are partners with them. We know that we don't know exactly who is providing, ultimately, the capital. We do know a lot about the increments, the type of debt, mostly, that is required, and it typically comes down to a question of, the real requirement that most of the public housing authorities and their partners have are for small loans. There are recent data in the recent evaluation that suggest that the loans are $5 million for commercial conventional loans, $7 million for FHA loans, and that's pretty much what we've seen and what we project will be needed in the future.

I think I've mentioned the cap for public housing is 455,000 units, there's a couple hundred thousand other units in that package. So there's about 1.3 million units of public housing in the multifamily orphan programs that we've talked about. So, the question it would seem comes down to the fit of what is required for the debt in particular, a good fit for the products that the Enterprises can offer or not offer. There are big products. There are the, you know, tax exempt (unintelligible) and the forward cash collateralized this, that, and the other. And frankly those work in some markets, they generate a lot of capital, they're needed products.

But on another level, they are overwhelmingly complex products for the small kinds of loans that are really needed in the $5 million to $7 million range. There’s construction lending, there's construction lending which is also a partial (unintelligible) strip which is really only about 20 percent of the total capital needed in the entire stack.

So the question is, are the Enterprises’ other multifamily suite of products a good fit? And we are very interested, the RAD Collaborative, in learning more about the range of these products. I don't think that there’s a good enough understanding out there, beyond the big products, of what the suite of multifamily products that each, Fannie and Freddie, offer, are out there. So the Collaborative would be pleased to work more closely with the Enterprises in understanding, promoting, getting that information out.

And if the fit isn’t good, we’d also be interested in sitting down to try to work through what the real requirements are. Again small loans, construction lending, bridge lending, even predevelopment lending, the whole range of pretty standard products that we see in affordable housing. That's what's needed. We suspect it’s a good fit, but we just don't have the data, we don’t know at this point, how the match is working between what the Enterprises are doing and what is needed. So I'll leave at that and offer you the written comments for more details. Thank you.

DAVID SANCHEZ: Thank you Patrick. Up next we have Greg Hopkins, the manager of Buildings Program at the Rocky Mountain Institute. And on deck is Lily Goldstein.

GREG HOPKINS: Good morning and thank you to the FHFA for having us. My name is Greg Hopkins and I'm a manager at Rocky Mountain Institute, an independent, nonpartisan, nonprofit working to accelerate the clean energy transition.

When Fannie Mae and Freddie Mac first were developing their initial Duty to Serve plans back in 2016, our organization along with many others submitted comments urging the consideration of energy efficiency as a critical lever to improve and preserve single-family housing affordability across the country. That feedback was well received by FHFA and both GSEs, and their final plans included two key energy-related objectives that I'll be referring to throughout my comments. One, to develop improved valuation guidelines and data collection requirements for energy efficiency. And two, to increase the delivery of their green mortgage products, to finance more home energy improvements.

As the GSEs start developing their Duty to Serve plans for 2021 to '23, I'm here today to comment from our perspective on their progress on those two objectives to date, to reiterate to the FHFA why home energy efficiency deserves even greater emphasis in the upcoming Duty to Serve period, and to suggest that more can and must be done to correct this historic market failure and to better serve low- to moderate-income households as a part of Duty to Serve and beyond.

While the GSEs have taken some steps towards the objective that was mentioned, we have not seen meaningful progress yet on a path towards near-term change. Freddie Mac launched its enhanced GreenChoice mortgage product roughly one year ago, and to our knowledge has originated only one GreenChoice mortgage to date. Fannie Mae just proposed scaling back its HomeStyle energy loan targets for 2019 and '20. That is the current Duty to Serve period. Reducing them by 70 percent, instead of taking steps to address the fundamental causes limiting their uptake in the first place.

Additionally, the joint effort to redesign the uniform appraisal dataset, at least with respect to new energy deals, appears to be advancing an itemized data collection approach that will increase operational burden for appraisers and lenders, without generating a holistic energy efficiency metric which could be easily valued and compared to comps.

So why does all this matter? I'm glad you asked. Most households in the US spend more of their income on energy costs than on property taxes and insurance. There are roughly 80 million households earning less than $70,000 a year. And those households spend on average 7.1 percent of their net income on energy bills, versus only 4.8 percent on property taxes, and 4.2

percent on insurance and maintenance.

And yet, while the GSEs and the broader mortgage industry have long accounted for property taxes and insurance in underwriting standards, energy costs have been an unquantified invisible risk. A major blind spot for both lenders and borrowers. And energy costs disproportionately burden the lower income households that Duty to Serve is seeking to help, requiring 15 percent of net income to one out of ten households nationwide. More than taxes and insurance combined. These families often struggle to pay their energy bills and are forced to make tradeoffs between keeping their homes warm, versus paying for other necessities like good nutrition or medicine.

In addition, because energy efficiency has not been valued systematically in appraisals and energy costs not underwritten as mortgages, market signals are not in place to incentivize home energy improvements that can save energy and money at a critical time in the climate crisis. The residential sector is responsible for one fifth of all energy-related CO2 emissions from the US. We just learned from the UN's latest report that emissions must drop 7.6 percent each year from 2020, that's next year, to 2030 in order to achieve Paris Agreement targets. The UN report bluntly tells us that we must set in motion the radical transformations we need now or face the consequences of a planet radically altered by climate change. For context, residential sector emissions in the US have remained virtually flat over the past 30 years, but actually increased by 7.4 percent in 2018.

Fannie Mae and Freddie Mac have a unique opportunity to course correct and do something about all of this at scale, given their influence. Setting standards and requirements for almost half of all single-family mortgages in the US each year, and in ways that can benefit all stakeholders. By ensuring that energy costs are factored into lender and borrower decision-making and loan terms, by appropriately valuing more efficient, higher performing homes, and by providing more capital to finance home energy improvements. Allowing families, especially low to moderate income, to improve the safety and comfort of their homes, while also improving their financial situations.

We believe there's a better way to accomplish both of the GSEs' energy-related objectives, at the same time, through automation. We've been working for several months with the Department of Energy, the National Renewable Energy Laboratory, and other NGOs to develop an innovative approach that leverages trusted, nationally standardized data sources to estimate the energy costs for every home nationwide. That simple holistic metric for gauging home energy performance that is relevant to both lenders and borrowers in the home buying process, and that can simultaneously be used to identify good candidates for green mortgages, allowing lenders to better target those product offerings and improve outcomes, especially for low to moderate income families.

Among the wide range of important activities they are pursuing, we believe that during the next Duty to Serve period, Fannie Mae and Freddie Mac should provide higher priority to their energy-related objectives, pursue more ambitious targets, and play a leadership role in exploring, testing and piloting the kinds of automated solutions available today, that can truly positively impact the affordable housing preservation market. Rocky Mountain Institute, and a coalition of other actors in the field, are ready and eager to support the GSEs in planning and implementing energy-focused mortgage solutions as soon as possible. Thank you for your time.

DAVID SANCHEZ: Thank you Greg. Up next we have Lily Goldstein, the VP for Social Impact Investing at JBG SMITH.

LILY GOLDSTEIN: Good morning. My name is Lily Goldstein and I'm the Vice President of Social Impact Investing at JBG SMITH, a local real estate owner, operator and developer. I come before you today on behalf of my entire team at JBG Smith and the broader Washington Housing Initiative to continue the conversation surrounding (inaudible) workforce or moderate-income housing. But before I get into the discussion today, I would first like to take a moment to thank both Enterprises for their efforts thus far in working alongside the Washington Housing Initiative to finance a unique solution for (unintelligible) private capital to preserve affordable workforce housing in the DC metropolitan region.

In speaking here today, it is my hope that our work in the (unintelligible) and the moderate-income housing space continues to play a major role in Duty to Serve. As the Joint Center for

Housing Studies at Harvard University concluded, housing cost burdens have continued to move up the income scale. In 2017, JCHS found that of renter households in the 25 highest rent markets across the US, earning between $45,000 and $75,000 per year, 46 percent were rent-burdened, meaning that the household had spent more than thirty percent of their income on rent. Locally, that represents over 100,000 households here in the DC region. The DC Policy Center has also noted that the high cost burden of housing has pushed both low- and moderate-income families out of our region.

I’m (unintelligible) here today to ensure that these working families continue to have a place to call home in our region. We have been pleased to see the work both Enterprises are doing to focus on preservation of both naturally occurring affordable housing units, as well as subsidized housing for moderate-income households, and hope that there is recognition of the critical role of this mortgage capital as you review your duty to serve. The flexibility and (unintelligible) of affordable workforce housing mortgage capital is crucial to continuing to provide well located, livable housing for our region’s workers.

Looking forward, there is room for private sector capital to continue to invest in moderate-income housing preservation that has enabled the success of programs such as the Washington Housing Initiative so far. In order to do so, it will require the continuation of mortgage capital, to be provided at or near (unintelligible) mortgages associated with the Low-Income Housing Tax Credit, and other low-cost (unintelligible). Continuing to develop refinancing with debt service coverage ratios and rates that are below market will open the door for additional private capital investment in the moderate-income space. In changing the current state level terms (unintelligible) is vitally important and already scarce capital. And so (unintelligible) housing.

According to JCHS, affordability restrictions on nearly 1.2 million rental units are set to expire by 2029. And as the Urban Institute found, preservation of both subsidized and unsubsidized affordable housing is critical to meeting future housing needs. If preservation is not part of the solution, along with new production, then we will continue to slip further and further behind and may never be able to close the housing gap.

I want to thank the Enterprises again for playing a vital role in ensuring working people have a place to call home, and I hope that you'll continue your efforts in the next Duty to Serve plans. Thank you.

JIM GRAY: All right, thank you. We're at the point where we're going to take our first break, and then we'll finish the affordable housing preservation group after the break. It is now ten minutes after 10:00 a.m. We’ll take just a quick break and we'll start again at 10:20 a.m. Thank you.

-- BREAK --

JIM GRAY: Thank you everyone. We're ready to resume and finish the affordable housing preservation panel. And then let me remind you that at the conclusion of this panel, our Director, Mark Calabria, will give some brief remarks. Okay so the next person is Lisa Rice, and then who is our on-deck person Rebecca? Lisa Rice, I'm sorry, is the President and CEO of National Fair Housing Alliance.

REBECCA: Can you hear me? I don't think so.

JIM GRAY: No? Okay Elizabeth Beardsley please come down to the front two rows.

LISA RICE: Good morning. Thank you for holding this session and for giving me the opportunity to provide comments on the GSEs' modifications to their Duty to Serve requirements. I'd like to start by urging the Enterprises and the Federal Housing Finance Agency to conduct a racial equity analysis of the GSEs' performance with respect to fulfilling their Duty to Serve goals. FHFA should ensure that the Duty to Serve plans are modified in a way that enhances compliance with fair lending requirements.

The GSEs have an affirmative obligation to further fair housing and this lens should be applied to everything that they do. The accountability and evaluation of Duty to Serve should provide an incentive for the Enterprises to better support credit liquidity for communities of color. The GSEs currently, and historically, have had very little market penetration in communities of color, whether high-, moderate- or low-income.

This is a serious fair lending failure, and it must be corrected. The Federal Housing Finance Agency should create specific measurements and metrics to ensure that there is increased credit liquidity for these underserved markets, and to correct historical GSE practices that have led to diminished credit access for communities of color.

We just saw the black homeownership rate drop to record low levels. The GSEs must do more to help address this crisis. Specifically, the GSEs must reconsider their loan level pricing adjustments. The current matrix seriously undercuts the ability of the GSEs to support lending to underserved communities of color. Moreover, the GSEs must retool their automated underwriting systems and allow the use of nontraditional credit scoring mechanisms that more accurately assess borrower risk.

Now I'd like to provide specific comments on Fannie's support for distressed assets. Fannie Mae should increase the number of loans purchased for the purchase and rehab of owner-occupied distressed units. Although the overall inventory of REO or real-estate owned units has decreased, we believe that Fannie Mae could do much more to support the owner-occupied purchase and renovation of these assets, particularly in communities of color.

NFHA’s research shows that when REO units are not well maintained these units have a much higher proclivity to be sold to investors. In fact, we looked very closely at two markets, Memphis and Montgomery County, Maryland. And we found that (unintelligible), that 71 percent of poorly maintained REO units are sold to investors. Conversely, 72 percent of well-maintained assets are sold to owner-occupants. Our research shows that REOs in communities of color are typically less well-maintained than REOs in predominately white communities, and as a result what we see, is disproportionately REO assets in communities of color are being sold to investors. Very few are being sold to owner-occupants and conversely, REOs in predominately white neighborhoods are overwhelmingly sold to owner-occupants.

In city after city across the United States our investigations have shown that REOs in communities of color are less likely, much less likely to have the grass mowed, the lawn tended to, overgrown shrubbery trimmed, broken gutters fixed, doors repaired, broken steps repaired, hazards secured or broken windows fixed, among other items. As a consequence of these maintenance issues, distressed assets in communities of color, as I said, are more likely sold to investors, as opposed to being sold to owner-occupants. In fact, we've seen far too many communities that once were predominately home ownership areas, being completely converted to investor areas. This phenomenon has contributed to the decline the country has been experiencing in the black homeownership rate. Borrowers of color have been losing out on the ability to purchase affordable housing units because we’ve seen those have been disproportionately sold to cash investors.

Fannie should put more resources into specifically recording this activity and should significantly increase the number of loans it purchases for the owner-occupied purchase of rehab and distressed units. By providing substantial support in myriad ways through these activities, Fannie could make meaningful differences in communities across the nation. Thank you so much for the time.

DAVID SANCHEZ: Next up we have Elizabeth Beardsley, the Senior Policy Council at the US Green Building Council, and we have an addition to the schedule, on deck is John Wiechmann.

ELIZABETH BEARDSLEY: Thank you, good morning, thanks to the FHFA and Fannie Mae and Freddie Mac for convening these listening sessions and for your attention to these critical needs of our nation. My name is Liz Beardsley of the US Green Building Council. We're a mission-based nonprofit organization. Through initiatives such as education, events, and advocacy as well as our leadership in energy and environmental planning, green building systems, we support sustainable and high-performing buildings to improve the quality of life for all. We provided comments in 2015 on the draft Duty to Serve regulation and are pleased to see this critical element of housing policy implemented. Thank you for the opportunity to comment today. We offer in a short statement as well as written comments, several observations as well as recommendations.

First, the importance of these programs cannot be overstated. Numerous studies have highlighted the connection of housing characteristics and health of residents, and how improving energy efficiency and air quality can actually improve these conditions and provide healthful benefits as well as increase the resiliency of these families. The savings on energy and water bills help promote housing security for low- and moderate-income families. And I'm concerned about those families here in DC and across the country who are sitting today in cold houses, with poor air quality as a result of mold and other contaminants.

We have several recommendations. First regarding the Enterprises’ Plans for the second cycle. We recommend that FHFA encourage and the Enterprises pursue a specific target and threshold for each of the categories of underserved markets. Increase the capital available for energy-efficient housing mortgage products. Report on progress against both the targets and the thresholds. Modify the format of the updates so readers can easily see what actions the Enterprises are taking as well as the outcomes of those actions.

Secondly, to provide greater impact to benefit all of us. Overall, the energy-efficient green building industry would prefer that all loan products incorporate valuation of energy, as well as incentivizing any needed energy system upgrades at the time of loan origination as a national point of intervention. Unfortunately, it remains rare that a borrower seeking to buy an existing home is educated about the options to receive loans that could be tied to efficiency upgrades. FHFA and the Enterprises should use utility costs in the underwriting and valuation process for all single-family loans.

The role of the government in a free market economy is to intervene when a market failure occurs, and this is such a failure as it affects the total cost of home ownership. The federal government, states and even many other stakeholders are trying to account for this market failure. FHFA and the Enterprises can play a key role in finding a solution that may (unintelligible) move the needle on how energy-efficient homes get valued that will benefit myriad stakeholders, but most importantly low-income homeowners and residents.

Third, there are some additional steps that can be taken in implementation. We recommend the Enterprises identify barriers, especially those related to workforce, and take steps to address those. Collaborate with EPA, the Department of Energy and the Department of Labor to identify geographical areas with gaps in workforce, such as credential holders, energy raters, and so on that are related to Energy Star Homes and other types of home energy certification and propose to support programs in these areas to increase training and credentials.

To the extent possible, require or engage with retail lenders, first to inform all residential borrowers about the availability of energy efficient green products. Two, to proactively market such products, such as including them in first-time homebuyer seminars, making presentations to local Realtors and energy-efficient contractors. And third, to annually post or report data to local communities as well as nationally on such products.

In support of incorporating energy costs into valuations, as well as efficiency upgrade opportunities, the Enterprises should increase market education on how to do this including software, accreditation on using-- users of software, and impact as well on model utility bills on valuations.

We thank you for all the work undertaken to date and look forward to continued engagement. Thank you.

REBECCA: Thanks Elizabeth. So next up is John Wiechmann, President and CEO of the Midwest Housing Equity Group. And Michelle Kitchen is on deck.

JOHN WIECHMANN: All right, thank you. My name is John Wiechmann. I am the President and CEO of Midwest Housing Equity Group (unintelligible). Midwest Housing is a Nebraska nonprofit corporation. We're exempt from taxation under 501(c)(3) of the Internal Revenue Code. We were formed in 1993. Our mission is to change lives for a better tomorrow by promoting the development and sustainability of quality affordable rental housing. But more specifically we raise capital from the private sector and then invest it in developments financed by the federal Low-Income Housing Tax Credit. We’ve got offices-- we're headquartered in Omaha, Nebraska, but we have offices in Des Moines, Iowa, Topeka, Kansas, Oklahoma City, Oklahoma, and Colorado Springs, Colorado. That’s not an office, my CIO works there in her garage, but we'll call it an office.

We've raised about $2.2 billion of capital since our inception. That's helped create just under 18,000 units of quality affordable housing. It means we house almost 50,000 people every night. We're real proud of that, especially right now you think about the weather outside, it’s getting cold, it’s getting nasty, we take a lot of pride in that. About a billion of that has been in communities of 50,000 or fewer people, so they’re smaller rural markets. That's 9,000 units out there. Our average deal size is 30 units. I mean, you're not going to go put 200 units in a town of 5,000 people, that just doesn't make a lot of sense. Many of our investments are in six, ten, 12-unit properties. In short, our existence is predicated on serving the rural Midwest, underserved markets throughout the Midwest.

You all probably know this but the needs of the rural Midwest are many as it relates to housing and in my case affordable housing. We need preservation but also need new construction. As I'm sure you've heard in the past, the USDA's Rural Housing Services, they have a massive portfolio that needs to be rehabilitated. I could argue that those units were obsolete the day they were built. So, we're proud to partner with them. We put $7 million of capital with Rural Housing Services improving the lives of thousands of families that live there.

At the same time, the rural markets also need some new development though. I think this is interesting, almost 50 percent—and not necessarily in the neat way—50 percent of the available housing stock in Nebraska was built prior to 1960. And I don’t know about you, but for us that might not be a long time, right? But for wood-framed homes, that's a long period of time. And the needs of the families have changed a lot over 60 years. So, we've directed a decent amount of our capital to new investments as well. I know this is preservation, but I hope you’ll let me say that anyway.

So what does all this have to do with the listening session today? Well I do want to communicate that the GSEs’, the Enterprises’, return to the LIHTC market has made a difference. And that was not disruptive, to the contrary it provided a stabilizing force, especially after the passage of the TCGA. Some investors dropped out of the market at that point. Others through their own corporate reorganizations disappeared from the marketplace. They were a stabilizing presence. It was not disruptive. And for us, and particularly in the case of Fannie Mae, they stepped up at a key moment where we had lost a large life insurance investor.

I appreciate that Fannie and Freddie are not scared to go into our rural markets, they're not scared to put capital in first in those smaller communities. It’s not every investor that would be willing to take on a ten-unit deal. But those are the size of the units, or the size of the deals that need to get done in small towns. Again, I think it would be a mistake to drop 100 units in a town of 5,000 people, that's not going to do anybody any favors.

So, as we look to the future of what will the GSEs do in the affordable housing market, and it relates to both preservation and the rural markets, I offer you the following. First, while I definitely appreciate the importance of directing investments to some of the specific high-needs areas that FHFA has identified, it is also important from my view that we don't neglect the preservation and new construction of the housing needed in the rest of the rural Midwest. Large swaths of our rural footprint, they don't fit in the box of the current high-needs areas. If you come with me to those communities, and we drive those towns, you'll see the need is great there too. And don’t just take it from me, check with our friends at Rural Housing Services and they'll tell you the same. So please encourage and support the Enterprises’ preservation and new housing investments across all of rural America.

Second, this doesn’t just relate to what we do, but probably a broader role in the LIHTC market, I suggest that FHFA consider an accordion feature on their authority that either expands it or contracts it as necessary to provide market stability. And you say is that really necessary? It seems pretty -- the market seems pretty stable. Well let me give you a current policy situation where it might be necessary, it probably will be necessary. You all probably know the Office of the Comptroller of the Currency right now is getting ready to release a regulatory rewrite as it relates to Community Reinvestment Act regulations. They may go it alone, the FDIC may sign on, the

Fed is pretty much not going to sign on. That might encourage some (unintelligible) shopping.

In any event, the financial institutions that are regulated by the Fed and the OCC and the FDIC, they make up about 80 to 85 percent of the LIHTC buyers. And if a CRA rewrite comes out and massively changes the way that credit is calculated for Community Reinvestment Act credit, you may see banks take a pause; you may see banks pull out of the market. At one point we heard that $2 of investor-- $1 of investment may count towards $2 of credit under the single metric. That theoretically halves the demand for LIHTC from the banks regulated by the OCC and the FDIC.

You know I haven't seen the regulations, but reading the tea leaves it sounds like there is going to be a fundamental rewrite. That could cause market dislocation. That could be a situation where an accordion feature on FHFA's grant authority to Fannie and Freddie, allows them to again provide a stabilizing force to the market. I for one think that's important. And we talk about 15 year holds, I don't think that we need that. Oh I see my time’s up.

JIM GRAY: No, you’ve got a minute.

JOHN WIECHMANN: I got a minute? All right. Well perfect, that was the important part of the second piece. Third, switching gears, I just want to talk about FHFA allowing the Enterprises to partner in investments with CDFIs, community development financial institutions. This community moves in a zone just beyond the LIHTC market and what I'll call the workforce housing market, at 60 to 150 to 120 percent of area median income.

You know there is precedent for the Enterprises and the CDFIs partnering together. I should say the other GSEs. Their lesser-known brethren, the Federal Home Loan Banks, have partnered with CDFIs since 2010 when statutory changes available to CDFIs to join the Federal Home Loan Bank System. One of our subsidiaries was in fact a member of the Federal Home Loan Bank of Topeka. It has allowed us to tap those markets, access low-cost capital and make a difference on the debt side providing lower-cost capital to affordable and workforce housing.

If the FHFA -- if the Enterprises were allowed to do the same, they could also participate, perhaps in a PRI, programmatic-related investment type of situation which is similar to what a foundation can do. You could tranche out the equity into one or two different tiers, where there's a pref return for typical equity and then a lower return for PRI, program-related investment type equity. That would be the third thing I would consider. Don't crowd out investments (unintelligible). Have an accordion feature, let them participate with CDFIs. Thank you.

UNIDENTIFIED SPEAKER: Thank you John. Next up we have Michelle Kitchen, the Director of Multifamily Finance for the National Association of Home Builders. And on deck is Garth Rieman.

MICHELLE KITCHEN: Good morning and thank you for the opportunity to speak today. My name is Michelle Kitchen and I'm the Director of Multifamily Finance for the National Association of Home Builders, or simply NAHB. NAHB is a Washington, DC-based trade association that represents more than 140,000 members. Our members include single-family and multifamily businesses, developers, remodelers, lenders, and bankers for the building industry. In fact, our members are proud to construct over 80 percent of the homes produced each year.

As we seek affordable housing solutions for underserved markets, it’s important to note that the root of the affordable housing crisis is insufficient supply. There's simply not enough housing to meet the demand. And as we know, the problem is particularly acute for low- and very low-income households.

Certainly, the Enterprises’ Duty to Serve initiative can play an important role to finance housing in underserved markets and for underserved people. In this context, I'm pleased to offer recommendations for the Enterprises’ underserved market plans for the next Duty to Serve cycle covering 2021 to 2023. My remarks will touch on both the process for developing the new plans, as well as their successive content.

With respect to the process for developing the plans, NAHB urges FHFA to permit Duty to Serve credit for research and development activities that might not show immediate results. Allow the Enterprises to propose new products that would meet Duty to Serve requirements, provided they are consistent with safety and soundness mandates. And recognize efforts by the

Enterprises to be creative in addressing unmet housing needs.

NAHB cautions FHFA against overly proscriptive implementation of Duty to Serve requirements. However, it’s also important for the Enterprises to use the lessons learned during the first Duty to Serve cycle to set challenging, meaningful, consistent and enforceable objectives and activities in the next cycle.

Now I'd like to offer some comments on the substance of the plans, beginning with the Section 515 Rural Housing portfolio. NAHB acknowledges the unique challenges in developing and financing products for Section 515 properties. Nevertheless, there's a very strong need for quality affordable apartments in rural areas. Continued (unintelligible) of this portfolio is absolutely necessary. Therefore, NAHB urges the Enterprises to continue discussions with USDA Rural Development on the subordination and program issues that have been a problem. And also pursue other creative solutions and develop new loan products to preserve the affordable Section 515 properties.

Another issue I'd like to address is energy and water efficiency improvements for single-family properties. NAHB is a strong advocate for including information on energy and water efficiency in appraisal reports. We strongly support efforts to standardize and expand the details that are captured on homes as this information will provide lenders and appraisers a more accurate assessment of the property. Both of the Enterprises developed successful rural multifamily mortgage products. And we encourage Fannie Mae and Freddie Mac to place high priority on single-family green initiatives such as solar (unintelligible) energy and water efficiency in the single-family properties in the next cycle.

The Enterprises could also provide an important role in acquisition, development and construction or AD&C financing for underserved markets. While it’s certainly important to preserve housing in the underserved areas, new construction is also necessary, especially in rural areas where the existing housing stock can be very outdated. Small financial institutions are the only source of financial services in many rural areas. In the next Duty to Serve cycle, NAHB requests that the Enterprises work with these small financial institutions to assess potential AD&C financing solutions for (unintelligible). We also recommend that the Enterprises determine if there are further opportunities to provide liquidity by developing a program to support AD&C activities.

And finally, with respect to workforce housing, it’s well-known that many teachers, firefighters, police officers and other professionals can't afford to live in the neighborhoods they serve. There are surely some programs to assist struggling moderate-income families who earn between 60 percent and 120 percent of the area of medium income. NAHB requests that the Enterprises explore creative ways to better meet the housing needs of these low- to moderate-income families in their next plans, while of course continuing the statutory mandate to serve both the very low-income families and the low-income families as well.

So, thank you for considering NAHB's request and thank you for all the important work that FHFA and the Enterprises have done on Duty to Serve initiatives to date. Thank you again.

DAVID SANCHEZ: Thank you Michelle. Up next we have Garth Rieman, the Director of Housing Advocacy and Strategic Initiatives at the National Council of State Housing Agencies. And on deck we have Robert Sahadi.

GARTH RIEMAN: Good morning, thanks very much. I'd like to thank FHFA for including me in this listening session. And I'd like to thank FHFA and the GSEs for all the work that they've done to promote public participation in the Duty to Serve process, and all the work they've done to develop the Duty to Serve plans and make what we think is a very effective regime for investing in underserved markets in many ways.

We appreciate how both Fannie Mae and Freddie Mac are currently working with HFAs or through HFA programs to meet their Duty to Serve missions. Those partnerships include housing credit investment, expanded GSE support for manufactured housing lending and resident-owned manufactured housing communities, and lending for low- and moderate-income families in rural areas.

As Fannie Mae and Freddie Mac enter their second Duty to Serve plan cycle, we encourage them to continue seeking out opportunities to collaborate with HFAs and to establish open channels via which HFAs can approach them with possible Duty to

Serve initiatives. We also encourage FHFA to continue to support these activities.

NCSHA particularly thanks FHFA for allowing Fannie Mae and Freddie Mac to resume housing credit investments and for awarding the GSEs Duty to Serve credit for making such investments in qualified rural areas. Housing credit investments have proven to be one of the GSEs' most effective strategies for serving the housing needs of rural Americans. In 2018 alone, the GSEs combined made over $200 million in housing credit investments to support 59 properties, 18 of which were in high-needs rural regions.

The GSEs' presence in the market came at a critical time. The lower corporate tax rate enacted in the Tax Cuts and Jobs Act of 2017 put downward pressure on the price of the housing credit. The housing credit market for projects based in rural areas still faces other challenges, including a lack of investors and the need to set rents at lower rates to meet program standards. These make GSE involvement there all the more helpful and all the more critical. We encourage the GSEs to continue making housing credit investments a key part of their rural housing efforts and to set more ambitious investment targets moving forward.

We also ask FHFA to consider allowing the GSEs to receive Duty to Serve credit for more housing credit investments, and for investments that support other Duty to Serve mission areas, such as manufactured housing communities and affordable housing preservation. While we understand concerns that expanding eligible housing credit investments and DTS investments may dilute the impacts on rural areas, we believe broader investment can improve pricing and feasibility across multiple Duty to Serve target markets simultaneously.

I'd like to say something about rural homeownership. FHFA and the GSEs have recognized HFAs' strong performance in this area. Both Fannie Mae and Freddie Mac offer HFAs various programs and preferred pricing and other variances to do their homeownership activity in rural areas. And FHFA has supported those activities in its strategic plans and scorecards. Recently the GSEs have announced that they will be altering their HFA products to focus them more on affordable housing goals. We urge the GSEs and FHFA to look at the Duty to Serve system, to restore the GSEs' pricing advantages and special programs for HFA products for moderate-income borrowers living in rural areas to help meet their Duty to Serve obligations. We also recommend the GSEs work with HFAs to develop other new products and initiatives to expand credit to rural areas and borrowers.

On manufactured housing, state HFAs recognize that manufactured housing has an increasing role to finally addressing our nation's affordable housing crisis. The GSEs have already engaged several HFAs on various manufactured housing pilots through Duty to Serve. One way the GSEs can better support single-family lending to manufactured homes is to restore or create or amplify pricing advantages for HFA products for manufactured home buyers earning above 80 percent of AMI as part of the Duty to Serve credit system. The GSEs should also continue working with HFAs to expand credit for resident-owned manufactured housing communities, which are one of the few strategies available to help manufactured housing community residents keep their homes.

Finally, I'd like to talk briefly about housing bonds. The Duty to Serve rule allows Fannie Mae and Freddie Mac to receive credit for the purchase of tax-exempt housing bonds, both multifamily bonds and single-family mortgage revenue bonds, as long as the GSEs can demonstrate that loans financed by the bonds or the underlying securities assist very low-, low-, or moderate-income families in a particular underserved market. So far, housing bonds have not been a large part of the GSEs' Duty to Serve activities, partly because the GSEs' authority to purchase tax-exempt bonds while under conservatorship is not clear, and the income limits for housing bonds do not line up with the income requirements for Duty to Serve.

NCSHA urges FHFA to consider how clarifying GSE authority or just giving them permission to purchase housing bonds can support their Duty to Serve activities. We also recommend FHFA look at how it can amend the Duty to Serve requirements for housing bonds to give the GSEs and HFAs more flexibility so that the full potential of GSE investment in housing bonds can be realized across multiple Duty to Serve markets.

Again, thank you very much for this opportunity to talk about NCSHA's perspective. Thanks very much for all your work in the Duty to Serve space.

DAVID SANCHEZ: Thanks Garth. Up next we have Robert Sahadi the Managing Principal of GreenSpace Investment. And on deck is Tony Pickett.

ROBERT SAHADI: Thank you (unintelligible) for the opportunity to speak this morning. My name is Robert Sahadi. I manage the GreenSpace Investment Fund which is a consulting working with many of the organizations that have spoken here this morning. I've been very much involved in the Duty to Serve process, trying to work with the Agencies. I am also chair of the product development committee of the Montgomery County Green Bank.

I'm here to really -- in a property management role today, talking about a tale of two programs. And those are the multifamily and single-family programs at the GSEs, as to how they pertain to energy efficiency and (unintelligible) Duty to Serve for the low- and moderate-income population.

Obviously, one has been very transformational. Multifamily has been so successful that there's had to be a quota on the number of loans that are going through the process. But this wasn't built in a day, there was a tremendous will to build this. There has been great creative product development. There has been member support. There's been very aggressive pricing, and there's been a lot of open-ended work with a lot of the NGOs, (unintelligible) and others in the industry, to build an energy-efficiency infrastructure to be able to understand what's being evaluated in the process.

Montgomery County Green Bank, we're looking at that program as being the program that (unintelligible) many of the low- and moderate-income apartment buildings in the county. I think Montgomery County is a little bit of a misnomer. It used to be considered an extremely affluent county. We still have those pockets of affluence, but now it's very much of a very mixed-income county. There's very significant areas of low- and moderate-income housing, particularly a lot of naturally-occurring affordable housing that we're afraid we're going to lose. So we're working on technical assistance, (unintelligible), and other tools to get those developments to the Fannie Mae or to the Freddie Mac programs.

On the single-family side, which is obviously the other program, and it's not moving fast enough. I think we all realize that. And I think we need to have a little more will to move that program forward. And I think if we look at the study, there's been numerous studies. Freddie Mac just came out with a very good study on loan performance and on premiums for energy-efficient homes. (Unintelligible) study by the University of North Carolina that showed tremendous defaults for homes during the crisis period that weren't energy efficient. There's been a study that showed that low- and moderate-income homes, one of the key things that leads to default or that leads to bankruptcy is energy-related issues such as (unintelligible) or high energy costs, particularly in areas where there's, you know, very severe weather conditions.

So certainly, I think the evidence is there. The need is there. And it will probably move forward. And I think a number of things have to be done. And it's not necessarily the obvious. I realize that in the single-family world it's not as easy as the multifamily where you do discretely consider operating costs, whereas in the single-family underwriting process you don't consider those. And I'm not suggesting a wholesale reform of the underwriting process, although a lot of speakers I spoke to (unintelligible) area, the appraisal, the debt-to-income statistics area that could be considered.

But I think platform issues are very big in this regard, is that the current platform (unintelligible). Because it's just too difficult for the homeowner. He needs to find out, What do I really need to do to make my home energy-efficient? Who are contractors I can rely on? How do I finance this? How does this fit into my overall mortgage financing?

And so, we really need a process that goes outside the current box and really puts these things together. And so I think, as we move forward, is that if we could start to get some pilots going. I think this has been another thing that's been very lacking, is that I know myself and some other organizations have offered up very constructive pilots, have come to the GSEs and we really haven't been able to tap the resources within the GSEs to be able to work on such pilots. And in the meantime, (unintelligible) people are looking for work and looking for funds to move the pilots forward, organizations are looking to really help (unintelligible) move to that point.

So, I could go on quite a bit, but I just really want to make the point here, is that we're kind of in a little box here in single-family. To the extent we've stayed in that box for 1004s and 1003s and UAD, which is a great process, but it's moving very slowly, we're just not going to get there. We look at the cap and even in the single-family world, the leading builders in America, most of the regional homebuilders are all building energy-efficient homes and the middle-income and above consumers are benefiting from it. So what we're doing is we're depriving the low- and mod-income consumers of these same houses, which are going to, as these studies show, probably have a premium which will increase in the future as consumers are more and more concerned about energy efficiency.

So I think now is the time to maybe not be so tightly in the regulatory box, to come up with some kind of programs, pilots, ideas that will move us forward so when we have our next opportunity, what we're talking about is significant progress on the single-family side. Thank you very much.

DAVID SANCHEZ: Thank you Robert. Up next we have Tony Pickett, the CEO of the Grounded Solutions Network.

TONY PICKETT: Thank you very much for the opportunity to speak amongst our peers and partners in affordable housing that are here today. My name is Tony Pickett. I'm the CEO of Grounded

Solutions Network. We are a national, nonprofit membership organization, and our mission is to cultivate communities that are equitable, inclusive and rich in opportunity by advancing affordable housing solutions that last for generations, the ultimate preservation (unintelligible).

We consistently provide uniquely sustainable shared equity homeownership opportunities through community land trust and deed-restricted programs, which have provided approximately 255,000 homes for lower-income families to date. A small number, as we are focused on dramatically increasing over the next three years with your partnership.

Before discussing the significance of Duty to Serve to the field that Grounded Solutions represents, I wanted to ensure that FHFA leadership hears our perspective on the importance of Duty to Serve, based on our partnership experiences to date. First, we believe it’s vital to continue to have a detailed and transparent planning process with significant participation from the public and stakeholders that results in defined metrics with specific actionable plans for outreach and coordination of stakeholders.

Second, it’s critical to have serious accountability, including a meaningful evaluation which rewards Fannie and Freddie for undertaking (unintelligible) serious challenges, with detailed progress reporting that is publicly available. This critical reporting helps all stakeholders, including many of us here today, learn from and improve the coordination of our work with the Enterprises, with their activities ultimately advancing the goals of Duty to Serve.

Third, the needs of staff at Fannie Mae and Freddie Mac who work on underserved markets, that we believe is overlooked without thorough planning and evaluation efforts (unintelligible) FHFA. Raising the profile of Duty to Serve activities enables these teams and staff to access much-needed internal resources to (unintelligible) senior management at the Enterprises.

I would now like to thank the FHFA for rightfully incorporating shared equity homeownership into the Duty to Serve rule under affordable housing preservation, as our models preserve homeownership opportunities for family after family who own and reside in these homes. These low-income families have lower cost affordable homes, but they all need mortgages in order to reach their goal of homeownership.

I would also like to thank Fannie and Freddie for including shared equity homeownership into their three-year underserved market plans. We realize and acknowledge that this was a choice as you could have selected other affordable housing preservation activities. I also urge you to continue to include shared equity homeownership into your next three-year underserved market plan because our work together is not over. In fact, while we all appreciated the work done to lay the foundation for increasing liquidity to shared equity borrowers within the current plan, we believe that continued striving towards more aggressive increased loan volume goals and activities must be pursued because ultimately shared equity loan volume has not yet substantially increased, and buyers are still facing challenges obtaining mortgages.

The demand for shared equity homeownership opportunities is great. The Harvard Joint Center for Housing Studies recently released a report outlining that 6.6 million households could become homeowners if shared equity homes were made available to them. Also, Grounded Solutions in partnership with the Lincoln Institute of Land Policy only just this year has released a groundbreaking 30-year study of over 4,000 shared equity homeownership units, validating the performance of those units over time.

Therefore, we also propose several specific recommendations to achieve greater shared equity loan volume. FHFA should clarify some aspects of the shared equity homeownership definition to remove barriers for assessing whether buyers in the shared equity programs actually qualify for Duty to Serve credit. Specifically, make it clear that if programs have legal documents or a policy that limits the amount of refinancing or lines of credit, but does not expressly state that the program must provide written approval, this should count as meeting the intent in the regulatory definition. Alternatively, if a program subordinates during a refinance, then this should count as reviewing and approving refinancing and home equity lines of credit as well.

Next, grant permission for programs to be assessed for the Duty to Serve definition of shared equity once every two to three years. Far too much time is going into evaluating programs rather than serving the buyers of these programs. We must work together to make this clearer and easier.

We recommend that FHFA apply extra credit for shared equity homeownership activities supported by the Enterprises, in particular for loan volume. Lending to shared equity homebuyers has proven incredibly challenging and more needs to be done to minimize the burden on financial institutions to review these programs, underwrite programs for buyers, and originate and sell to the Enterprises.

Lastly, we implore FHFA to allow the Enterprises, as allowed by statute, to make investments in shared equity homeownership. Grounded Solutions Network has ample suggestions for equity investments that will ultimately increase the scale of shared equity homeownership to serve more families. Investments need to be allowed and adequately given credit for addressing underserved markets.

In closing, we also urge Fannie and Freddie to support the development, dissemination and adoption of a model deed-restricted covenant for shared equity programs. Cities and organizations across the country have little standardized practice for implementing deed-restricted shared equity. They all reinvent the wheel and lending institutions must then review each program's legal documents separately, many of which don't work for the secondary market. While it will be challenging to achieve (unintelligible) program adoption of a standard model document, it is well worth the investment and effort to streamline these programs and lending (unintelligible).

Also, support the creation of an appraisal training and instructional (unintelligible) leasehold values as well as valuation for shared equity resale restrictions that survive foreclosure. Currently, methodology varies across the Enterprises for how to appraise shared equity properties and lenders have requested clear standards and resources to provide appraisals.

Remove the burden from lenders to evaluate if programs meet the Duty to Serve shared equity homeownership definition as well as Selling Guide requirements. This could be done by minimizing some program underwriting requirements or creating a third-party assessment of shared equity programs. Undertake partnerships to assess the scope of the field and understand exactly how many shared equity homes are held on land in trust and how many are deed- restricted.

All these measures are ultimately needed to achieve meaningful increases in shared equity loan volumes to support the estimated 6.6 million households who are today in need of shared equity homeownership. Thank you for your time.

JIM GRAY: Thank you Tony. That completes the affordable housing preservation portion. We’re just about at our lunch break. But before we do, let me let you know how this part is going to work because we have several things going on at lunch.

I've heard reports that the lunch looks really good. So, I would encourage you to file outside, get your lunch, and find a place at one of the round tables in the meeting room. And then Director Calabria is scheduled to come down just about as quickly as we can get everybody their lunch and get seated, to give remarks. And then following Director Calabria's remarks, we have the portion of the program that's an opportunity for each of you to ask questions of Fannie Mae, Freddie Mac, or FHFA about the Duty to Serve and what you would like to see, or what you would like to ask that we haven't gotten to, or which you haven't gotten to ask a question about. And then we'll come back for the other couple of panels that we have today. Thank you.

-- BREAK –

JIM GRAY: Excuse me, if I could ask for your attention please. It's my privilege to introduce the Federal Housing Finance Agency Director, Dr. Mark Calabria, who I think most people know has a direct connection to the Duty to Serve, and we look forward to hearing his remarks.

DIRECTOR CALABRIA: First, let me emphasize please continue eating, don't stop on my account. Let me thank you Jim, Ted, Matt and thank the entire Duty to Serve team. Having put on a lot of these events -- sort of events in my prior career, I know a lot of work goes into it. So maybe I can get a round of applause for them.

Thank you. As Jim sort of alluded to, I think many of you know I was on the Hill with my good friend Clinton Jones. I like to say the stuff that we got right in HERA, that was Clinton. The stuff that we didn't get right, that was me. But the point being, having been there at the table when the Duty to Serve was implemented, a really important part of that, and really do emphasize that my philosophy on all of this is even with stuff I (unintelligible) – everything in HERA, you know, we're going to carry that out.

I think everybody has seen the goals are still in place, Duty to Serve is in place. That might mean that, having been at the table when that was created, I might have some views on what we meant then. But of course we'll see that play out as we go ahead. But I really want to emphasize that what we want to be able to do is hear from people in the marketplace, people at the front line. I really want to emphasize if you go back and look at the Duty to Serve, there are particular phrases and words that that were critical at the time, and that were critically important to me, and I just want to for a second talk about two of those phrases.

One is leadership. That word leadership is purposely in the statute, because it's a real expectation that Fannie and Freddie use the capacity that they have to be leaders in developing products and in developing market research. And again, I believe that's an important aspect of it.

And the other important word to me from the phrasing of the statute is facilitate. That they are a partner with the rest of the marketplace. Again, on manufactured housing property, on affordable housing preservation, particularly in rural markets, that Fannie and Freddie are there to work in partnership.

So again, to me facilitate is, you don't do it all yourself. You do it working with others as your partner in this. And that's really the role for Fannie and Freddie to have in this.

I also want to emphasize; I know some of you have seen some of my conversations about broader Fannie and Freddie reform. I know a number of you I've met with before the meeting, with others. I really do want to emphasize that, to me Fannie and Freddie's most predominant role is to be there in a time of stress to reform the market.

So, I know some of you, for instance, operate in the tax credit market. You probably remember back in 2009 and 2010, when Fannie and Freddie had stressed they left that market. So, I would argue and emphasize that to me, the most critical thing that Fannie and Freddie can do is be a floor, be there.

And so again, I would say my very modest objective, as a safety and soundness regulator, is simply not to have Fannie and Freddie fail next time. And the reason I think we should all care about that is when they fail they retreat from the market. They retreat from providing access in a really important way.

So I hope that when you see me talk about building capital, when you see me focus on safety and soundness, the objective of all that is to make sure that Fannie and Freddie can be there. Because again, to me, unless there's a strong foundation under

Fannie and Freddie, everything else they do to support the market gets threatened.

So again, trying to get us in a situation where we can get Fannie and Freddie where they need to be. And I also want to emphasize, I believe this is our third of four listening sessions, we had one out in St. Louis, Los Angeles. Again, trying to be around the country here. I recognize many of us live in this bubble called Washington, DC. It is important to hear from people outside of DC. Important to hear other different perspectives of how this works in the marketplace.

And again, that's why we're here today, for us to be able to hear from you. To make sure that we are implementing things in a thoughtful way that's effective in the marketplace. So again, for those of you who did stop eating, I'm going to wrap up there so you can get back to eating. But I'll be around for a little bit and I certainly want to say hello to a few of my friends here, faces I haven't seen in a while. And again, encourage you to reach out to our team and make sure that we hear from you on all of this. So again, thank you, appreciate it.

JIM GRAY: Everyone should finish their lunch, enjoy the opportunity to talk with each other. A few minutes after noon we will convene the portion of the program in this room, where you'll get a chance to ask questions of Fannie Mae, Freddie Mac or FHFA about the Duty to Serve. And so if I could, I'll ask if we could have the two people from each company join Ted and me at this table at just about noon. Okay thank you.

-- BREAK --

JIM GRAY: Okay, thanks everybody for your patience. So now is the opportunity to ask questions of FHFA, Fannie Mae or Freddie Mac, and I think maybe I see the first couple of questioners lining up there which is great. So we have a couple of ground rules for the question and answer part that I want to go over first.

So, the first ground rule is that Fannie and Freddie and FHFA are here primarily to listen. We're not here, and they're not here to make specific commitments about what they might do in Duty to Serve in the future. And so we ask that you please not ask a question along the lines of, would you please be sure to include, or will you commit here today to include *x* in your next plan. They're not in a position to make a commitment like that.

The second one is that there's a lot of, obviously very -- the hardest markets that the GSEs work in are all covered by Duty to Serve, and they have a lot of people who are back at the offices working on those things. Not everybody is here. So, it's possible that you might ask a question that calls for such a specific response that they may not be in a position to answer you today. In which case, they'll be happy to follow up and try to answer your question.

And then third, they are competitors and so it's also possible that you might ask a question that would take them down a path that they feel like is proprietary information that they don’t feel comfortable discussing in front of their competitor. And if that’s the case, they’ll say so, and you can also talk about that offline.

And then, I guess my extra ground rule is that this really is an opportunity to ask questions, the opportunity to make statements is what we are doing in the other room. So please don't use this as an opportunity to make statements. Let's try to keep this to questions. And we'll let each questioner ask their question and then if we don't have any more questioners, then the people who’ve asked the first questions can ask a second one. Okay?

So and I will ask, well first we’ll identify the people at the table here. So to my right is Matt Douglas, my colleague on the Duty to Serve team at FHFA.

COREY ABER: I’m Corey Aber from Freddie Mac, multifamily.

MIKE DAWSON: Mike Dawson from Freddie Mac, single-family.

CRYSTAL BERGEMANN: Crystal Bergemann from Fannie Mae, multifamily.

FANNIE MAE REPRESENTATIVE: (Unintelligible), Fannie Mae, single-family.

JIM GRAY: All right and so may I ask -- before you ask your question, can you please identify yourself and the organization that you work with?

MATT CHAPMAN: Absolutely, my name is Matt Chapman and I’m with Manufactured Housing Action here today. (Unintelligible) and as you can see I've got the 70 percent (unintelligible), wondering what that's about. At least half of my income now is going to go to housing in the home that I live in. And Haven Park Capital got funded through Fannie Mae. So we're just here to, you know, kind of ask you guys to think about that, and maybe come with a request. The request would be maybe you could come to visit some of our communities and see the effect this has had on some of our residents. That's all I got for you. Thank you.

JIM GRAY: Thank you.

MARK WEISS: Mark Weiss from the Manufactured Housing Association for Regulatory Reform. This is actually a follow up to a quick question I asked in St. Louis a couple of weeks ago. In Freddie Mac's opening report there's a reference to manufactured housing real estate loans, (unintelligible) 3,600 plus loans purchased in 2018. And also Fannie Mae in St. Louis referred to 2,600 manufactured home loans over the same period. My question is, are those exclusively new home purchase loans or do those figures include any refinancing, or what proportion is refinancing to your knowledge?

FANNIE MAE REPRESENTATIVE: I believe it's covering closed purchase and refinance loans.

MARK WEISS: And do you know the portion for (unintelligible) purchases and refinance?

FANNIE MAE REPRESENTATIVE: Do you have a sense?

BEN NAVARRO: It's definitely a majority first purchase. I couldn’t tell you the ratio off the top of my head. I’d be happy to get back to you on that. I’m Ben Navarro with Fannie Mae, sorry. And one thing I’d like to mention is Fannie’s loan purchase last year (unintelligible) 12,600 in LMI MH loans.

MARK WEISS: I understand that, I was just referring to the (unintelligible) increase (unintelligible).

MIKE DAWSON: Yeah, I think ours is probably reflective of the current refi mix, purchase-refi mix. We may see a little bit more on the refi side on manufactured housing, from the numbers I’ve seen in the past.

MARK WEISS: But consistent with your other business.

MIKE DAWSON: Consistent. And I think you’ll see going into 2020 that we believe refi mix is going to be up, 45 percent or so of the market next year. So, it’s still going to be pretty substantial. At least (unintelligible).

BEN NAVARRO: Yeah and I just, one clarification, because I think you said new houses -- you said new purchases?

MARK WEISS: New home purchases.

BEN NAVARRO: Okay so they’re not necessarily new home purchases, they could be existing homes as well. So, and in fact, we see actually a pretty small percentage of new, new home purchases in our business. Reflective of sort of the process that we typically see, it’s more often an existing home sale than a new home sale.

MARK WEISS: That helps, thank you.

MATT DOUGLAS: Mark, just as a -- this is a good tool that we put out about a week ago. On the Duty to Serve website, we put out a snapshot of all the single-family lending that the Enterprises did for Duty to Serve credit in 2018. And what it does is break down by market what they did. So on this one it just, you didn't set me up for this, we didn't coordinate this, but like I can give you (unintelligible).

So combined, 32 percent of their manufactured housing real property loans were refinancings. And then we have that as a benchmark to all acquisitions for 34 percent. So it was just like they said, it was very close, but actually slightly less refinance than the all acquisitions for both companies.

MARK WEISS: Yeah just for my reference, that's a "dashboard"?

MATT DOUGLAS: It is.

MARK WEISS: Okay I got that.

MATT DOUGLAS: So that was one of the ways we were trying to get some information out to you. We've heard from many people in this room that you want information on where they're doing the loans, what sort of mix, exactly your question, Mark. And what we try to do is (unintelligible) get some of that information out to you. It's both companies combined. There are some proprietary issues that we're still thinking through, but it's hopefully useful.

UNIDENTIFIED SPEAKER: Hi, my name is (unintelligible). I'm with MH Action (unintelligible) and I'd like to know, if you have a lot of seniors living in parks, and they're on social security, and they only make, like, an extra one percent a year, and they can't make their rent, right now you have single household, multi-household loans. Do you have any loans so that a bunch of people can get together and buy the park?

COREY ABER: So last year we came out with our resident-owned community loan offering. It's a fairly small market overall, but we've done three of those loans -- a couple before we came out with the offering and one since then. It's certainly something we're looking to do more of.

UNIDENTIFIED SPEAKER: How do you decide on the value of the property?

COREY ABER: For this one I might ask my colleague Agnes Kucharski who works in that area to chime in.

AGNES KUCHARSKI: Hi I'm Agnes. So, we underwrite all the properties in those markets and we look at the value based on market. So, we assume market rents (unintelligible) valuation, but then we also underwrite as a cooperative, assuming the residents have already purchased the park. So, we have two sets of parameters.

JIM GRAY: Can we let Fannie Mae take a crack at answering your first two questions? And then you can ask another question after the other people.

CRYSTAL BERGEMANN: Hi and thank you for coming, thanks for asking that question. We have focused on our resident-owned communities and started a pilot in the last year, working with NCB and ROC-USA, Resident-Owned Communities USA, working to try to develop a product that works for them and for us. We have not closed any of those loans yet but we're hopeful that we'll be able to do more in the future. We're also working on improving our tenant site lease protections in the parks, and also in -- not just resident-owned communities, but emphasizing and encouraging nonprofit owned and government owned communities as well.

COLLEEN FISHER: Good afternoon, I'm Colleen Fisher. I'm the executive director of the Council for Affordable and Rural Housing, representing (unintelligible) developers and equity finance suppliers for the rural industry. This question is for both Fannie and Freddie. I have -- I understand through some discussions with Rural Development, my owners, and some other folks that there have been some issues with the loan subordination agreements with you all with Rural Development. Can you tell us anything about what that might be? Is there something that the industry can do to sort of help further along a process or an agreement or to be able to sit down at the table? So, I guess it's a question and then an offer on my part.

CRYSTAL BERGEMANN: Sure, so thank you for the question. And we absolutely -- this is a priority for us as well and we're working with USDA and want to continue working with USDA. Subordination has been an issue, working with their -- within their constraints. And not just subordination, but things like valuation and how the properties are valued. We -- I can't tell you more about the specifics right here, but I can certainly get back to you. But it is something we are working very hard to continue, and we would love to work with you as well.

COLLEEN FISHER: Great. Because as you know, preservation of the portfolio is extremely important. And so that’s why, anything that we can do to help you – I sound like Jerry Maguire – actually do it, we’re happy to do it, and so --

CRYSTAL BERGEMANN: Great. Thank you.

COLLEEN FISHER: You’re welcome.

JIM GRAY: Corey?

COREY ABER: Hello, I would also echo that preserving the 515 stock is important. I think I’d be happy to chat offline a little bit about some of the things that you mentioned.

HOLLY HOOK: My name is Holly Hook, I’m from Michigan. I’m with MH Action along with Matt. And my question for Fannie Mae and Freddie Mac today regards the ownership of mobile home communities. And I was wondering if you guys had any words -- starting any type of monitoring to make sure the owners of these manufactured home communities continue (unintelligible) affordable for residents? So that's my question for you today.

CRYSTAL BERGEMAN: That's a really good suggestion. We'll certainly take that back. I appreciate that. And I just appreciate you and the large contingent that care a lot about this issue, and I’m glad (unintelligible).

HOLLY: I appreciate you listening to my question.

MATT DOUGLAS: Just as one, sorry, just as one context piece -- with Duty to Serve and the way the regulation works, I think it's good to keep in mind -- with manufactured housing community lending, FHFA also has some real concerns about loans to communities and will they remain affordable. So for Duty to Serve purposes, separate and apart from the general business practices which you guys have interesting questions on, but for Duty to Serve credit, the only way blanket loans for a community can get credit is if it’s to a residential-owned community, nonprofit, government. Because we as an agency felt confident that those entities would be interested in making sure rents stayed affordable.

And then second, was if they adopted, communities adopted certain tenant protections. So, one of the eight is not, in fact, limiting rent increases. That was something we considered. That is a hard issue, the regulation does talk about this pretty explicitly. But we have tried to encourage the Enterprises to find ways to make loans to communities that do have tenant protections. I think over time we'll -- there were eight identified, I think we'll take a look to see if that's the right mix. I think that's an opportunity for you guys to provide feedback to us as, if those eight were strong enough to help protect residents. What else could be added? So it was a first start, this is the first plan cycle, so --

JIM GRAY: So before we take the next question, I want to let Freddie Mac have a chance to answer that last question.

COREY ABER: I'll just highlight on the tenant protection side, and we have seen a lot of interest in that, immediately after coming out with our offering there. And expect to see more.

FREDDIE MAC REPRESENTATIVE: (Unintelligible) we've just financed over 2,700 units with tenant-based protections.

MAURICE JOURDAIN-EARL: Good afternoon. My name is Maurice Jourdain-Earl, Managing Director of ComplianceTech. My question is, understanding the three pillars of Duty to Serve -- affordable housing preservation, manufactured housing, and rural housing -- can any of you answer, either for Fannie or Freddie overall or within the confines of those three pillars, what are the racial distributions of the loans that you guys buy (unintelligible)? First overall, and then within the confines of the (unintelligible). I'd like to get some sense if you could share with us the ratio of the distribution of those loans.

UNIDENTIFIED SPEAKER: I can't comment on the specific categories of MH or rural but I will say our overall racial distribution, as you know, and I think was mentioned earlier today, vastly under -- follows the overall market in terms of share of minorities being homeowners (unintelligible) or otherwise. I'd say for African Americans, I think we're at four percent of our acquisition volume which, compared to FHA and compared to sort of not only the home buying population but the national average is lower.

MIKE DAWSON: Yeah, we also underinvest from that standpoint. We do publish our overall purchases by ethnicity in our affordable housing annual report. And I can make it available certainly, it’s available on our website today. I think you're familiar with that, but it's published in there. We do not break it out by the three pillars that you've identified there. But I did take a note because I think Lisa's discussion points about some potential improvements for the plans going forward could be more specific in some of those areas.

One thing though that -- we're not sitting and waiting for things to happen though. One thing you should be aware of, you may be aware of it today, we've done with our -- within our research group and working with the lender community, looking at mortgage-ready borrowers in a variety of different communities across the country, matching that up with potential housing supply. And also the time period it takes, it may take, to pay for down payments.

So, we're working with lenders, we're working with real estate professionals, we're working with other nonprofit organizations to raise the awareness of what’s the potential for mortgage-ready borrowers within a variety of different communities across the country. So, we've been very deliberate in that approach, but to your point, you know, you got to have an impact there. It’s got to show in the mix of our mortgage purchases.

MAURICE JOURDAIN-EARL: And then my follow-up question, is there any thought of adding, as a measure, race and ethnicity, to Duty to Serve?

UNIDENTIFIED SPEAKER: From a reporting standpoint?

MAURICE JOURDAIN-EARL: Yes, from a reporting standpoint. To make it measurable to the point that you can report out under those metrics, so that it's measurable, and therefore you can have accountability.

MATT DOUGLAS: At a high level that's something that (unintelligible) talking about the data dashboards. That is a potential field we could look into adding in the future. It was not included this first time around. (Unintelligible) the end of the first year, but it is something we could look into. We can certainly take that back as FHFA to look at the data we have, and if it would be useful to you as a stakeholder, we can commit to at least considering that.

MAURICE JOURDAIN-EARL: It is readily available in the HMDA data.

UNIDENTIFIED SPEAKER: Yeah, and one thing I'll say too, Maurice, as you know, Duty to Serve isn't our only obligation to serve underserved communities, also housing goals are as well. That data in terms of our racial distribution is made public via FHFA. Because I will say, I don't know if this is the case, and I certainly imagine any of the audience probably has a better sense of this. Manufactured housing, rural markets, persistent poverty zones probably for sure. You know, these specific markets that we have can be supportive of minority homeownership. Which of these, sort of requirements under Duty to Serve specifically, should we be focused on in terms of the intersecting (unintelligible) of minority homeownership?

We already are very much so focused on it in terms of our broader obligation under housing goals. That is something that you and I have talked a lot about, low-income is not necessarily always the right way to focus our efforts. In my mind it’s more of a question of low wealth. One of the things that we often see in terms of minority homeownership is inability to save for downpayments, credit scores that might be more moderate than good. But when you don’t have family to back you up when you miss a payment that's what ends up happening.

So, there's certainly challenges we see in that market. I don't know if the Duty to Serve markets are the ones to solve for, but I certainly see, you know, Freddie mentioned outreach to the communities that are already ready. I think education is going to be a huge part of the solution. But I think we've got to do more than raising awareness, and it’s that low downpayment, moderate credit score population that today finds themselves going to FHA, largely because the execution there is better. The question is, how can we help that market improve its savings, improve its credit scores, through education and other mediums, to get to a place where they can get a much better mortgage for them, and we can start fighting this awful disparity that we see in homeownership.

So with that being said, Maurice, there's one thing I would love to hear from you, especially since you know the data so well. Help us figure out, is there an affordable housing preservation role (unintelligible) should play, that we should be thinking about insofar as it affects minority homeownership? We'd love to have that discussion.

MAURICE JOURDAIN-EARL: Well we can have that discussion, but in closure though, all people of color are not poor. And so as a consequence of that there are opportunities for people that are mortgage ready, home ready, etc., but they're still not being reached in a proper fashion. So there are a lot of impediments, but I just want to lead with that, that everybody’s not poor.

GERRON LEVI: Good afternoon, Gerron Levi of the National Community Reinvestment Coalition. And I have a question for Freddie on the multifamily front, and a question for Fannie on the single-family front.

So, first for Freddie, multifamily is not entirely my bailiwick, but I have been interested in the multifamily cap that FHFA imposed on multifamily lending and how it might impact Freddie across these Duty to Serve markets. I mean, you're sort of a (unintelligible) rental finance leader and you say ninety percent of the units you finance are affordable to LMI or LMI units. And, I mean, just looking at your numbers over the last three years you went from $56 to $73 to $78 billion. So, it looks as if the cap really constrains your business in the LMI rental finance space. So one, I'm interested in, how is it impacting your business in the rental finance space and who on the private side would -- might do some of that LMI rental finance lending in the absence of, say your more leadership role, or you growing more in the space? And also I have a question for Fannie.

COREY ABER: So yeah, so we have a cap of $100 billion over five quarters, starting in the fourth quarter of this year through the end of next. And out of that $100 billion, 37 and a half percent or more would be mission driven. And that mission driven is affordable, capital A affordable for stuff with a public subsidy and rent and income restrictions. And also units that are affordable at 60 percent AMI in most markets and at some different levels in some of the higher renter cost burden markets. And we view that 37 and a half percent as a floor, not a ceiling, right. So we want to, you know, our focus is, and our commitment and our mission is affordable and workforce housing. And so we want to do more than the 37 and a half percent and keep our focus there.

GERRON LEVI: But would the $100 billion, because I mean, you probably would have gone over $80 billion just based on your prior trajectory over the four quarters. Is that limiting your ability to function in the space, I guess?

COREY ABER: We are still very active in the multifamily spaces.

GERRON LEVI: And who are the private -- other private players? Okay. Is that, okay, tell me -- I'm just curious. Is that --

JIM GRAY: Gerron, if you want to go ahead and quickly ask a question to Fannie and --

GERRON LEVI: Okay on single-family, also I know I had -- you all had -- you had some pilot work you were doing around small mortgages. And I am just sort of interested, are you continuing with some of the small mortgage work you're doing and what you're doing in that space. Because on the homeownership side, you know, we're seeing it as a real constraint and I mean, I think it affects your Duty to Serve work around affordable housing preservation and in rural markets. But also, it's also the affordable housing (unintelligible) as well. And I'd be interested maybe if you could talk a little bit about the small mortgages you're piloting. What you're doing in that area.

JONATHAN LAWLESS: Yeah, I wish I had better news to report, Gerron, on that. At the end of the day, you know, the high fixed cost is still a very, very difficult thing with these small mortgage balances originated. Maybe (unintelligible) will jump in and talk to the specific pilot.

One of the things that gives me a lot of hope is just cutting costs in the overall origination process and using technology to eliminate some of the fixed fees that, you know, are really big for a borrower that's borrowing $50,000. Appraisal price is very much larger, other processing costs (unintelligible) large.

You know, I will say everywhere we can find the benefits to make it more expedient and efficient to do small loans, we are doing it. We are still trying to crack that nut because it’s just, given the nature of small loan balances and the way securitization works, it’s just a challenge economically. I don't know, Sarah, anything else to add to anything in that space?

SARAH EDELMAN: I think that's right Jon. I think that, Gerron, you're right that this -- figuring out this piece is critical for so many (unintelligible) the market. So our, you know, we're experimenting with, we have a pilot around high CLTV borrowers in some legacy cities. Areas where you sort of see a confluence of challenges including small balance but also property conditions. But this is, I think Jon captured well, (unintelligible) solve some of these overarching problems with the process, you know that hopefully can benefit the (unintelligible).

CRYSTAL BERGEMANN: And I just wanted to add really quickly on the multifamily piece. So this isn’t specific to Duty to Serve necessarily, but at Freddie Mac, Fannie Mae, you know, the cap has turned into a larger cap. Instead of a cap extension for mission driven affordable acquisitions it is now a 37 and a half percent -- percentage of that overall cap. Which we’re excited about, we’re starting to do a lot of work in this space, and we're excited that it sort of ties the two parts of the business together in ways that I think will be really helpful for our affordable business as well.

MIKE DAWSON: I just want to add one thing on the small loan balances. I’ll echo everything that Jon mentioned here. A lot of pure economics. But the one area that for those in the room whether you're CDFI related or what have you, is if you have small loan balances that have already been on -- small loan that have been originated, that are sitting on your balance sheet, we offer seasoned loan purchases. And that's one area that we can facilitate more liquidity in that space. Certainly, it’s not right out of the gate. But it is -- if the loans are seasoned and they've been on the balance sheet, we certainly offer immense liquidity in those spaces. So, something to think about down the road.

VALERIE MOODY: My name is Valerie Moody, I am vice president of the Utah Coalition of Manufactured Homeowners, and I'm with MH Action. And I just have a question. How much research is being done for the corporations that are buying mobile home communities, other than creditworthiness? And I would follow that up with, if none, I would strongly encourage that it gets moving.

CRYSTAL BERGEMANN: Yeah I can't -- unfortunately I can't answer that particular question, but I will take it back --

VALERIE MOODY: All right, thank you.

TONY KOVACH: I am Tony Kovach with Manufacturing Home Living News and MH Pro News. And my question is actually kind of a pre-DTS question, but I think it sheds light on DTS. Back in around 2003, 2005, somewhere in that timeframe, it’s my understanding that both of the GSEs originated mortgages that were leasehold mortgages in land lease communities. And there were several million dollars of those kinds of loans that were originated. The people that I've spoken with said that the performance of those loans was good. But then of course they were community owners, maybe their perspective would be different than that of Fannie and Freddie. So my question is, (a) what numbers of loans were done under that leasehold mortgage program, and (b) what was the performance like? Because I think that would shed light on some of the issues that arise in DTS. Does that make sense?

UNIDENTIFIED SPEAKER: Hey Tony, when you say “these loans” do you mean anything like personal property, or do you mean a specific real estate type that personal property --

TONY KOVACH: That's a great question. These loans, the way that I was told -- is they were single-family housing loans, made on an individual unit, that was actually sited in community. So, they did not own the real estate and so -- the terminology that was used is they were leasehold mortgages. So, it wasn't, strictly speaking, a chattel loan. Nevertheless, they actually performed like a chattel loan in as much as it’s not being placed on property that the borrower owns. So I think it sheds light on the whole DTS subject. And unfortunately, I've not found any data on that. And so, getting it straight from the horse's mouth would be wonderful.

UNIDENTIFIED SPEAKER: Yeah, so, we’ll need to go back and look. I know we -- I've been at the company long before my hair was gray and it was definitely around. I think we did do a transaction in 2005. The unfortunate thing about that transaction that we did, which was a pure chattel transaction, was that the ultimate disposition of the properties was not under our control, so we never saw the ultimate losses. Although I will say, just like any loans made in 2005, the performance wasn't fantastic. Which frankly points to a broader issue in this market for us, which is, as we sort of think about it (unintelligible), we've seen where even during conservatorship, how we think of the risk here. We are desperate for any data that can help us understand what the performance of loans might be on communities.

So far, the data that we found often is from the late '90s, or just going into the aftermath of the housing Great Recession that we saw. So a lot of the data that people are looking at, when it relates to this, is data that makes you think that the amount of capital you would need to hold to take on the risk is absurdly high. And given how high it is, you're going to have to charge large amounts to be able to insure the specific loans on personal property.

I personally don't believe that's true. And I think there's probably data out there somewhere that would show that it isn't. But unfortunately we don't have it, which is why our initial approach to this market has been, get our hands on the data and particularly identify the characteristics and features that can help us better understand and manage and price the risk, so that we don't have to resort to what I sort of think of as this sort of a gut reaction to, *Oh boy this industry has seen massive* *losses, therefore it's always going to see massive losses*. And we all know that’s just not true if you’ve spent time really thinking about this (unintelligible).

TONY KOVACH: And I appreciate what you just said --

JIM GRAY: Tony, let’s let Freddie answer your question and then if you have another one we’ll (unintelligible) --

MIKE DAWSON: Hi Tony. So the time period you’re specifying, I don’t recall any specific purchases during the 2003, 2005 time period. I don’t know if Dennis, if you’ve got more color there?

DENNIS SMITH: We had a negotiated term of business with some lenders in the 2004 timeframe. But unfortunately, the manufactured housing industry kind of went into the downturn before the site-built side did and we didn't get a lot of traction trying to research those numbers and data. Because it was a term of business that was proprietary information between us and the lenders to try to inform policy at that time. From the information that I've been trying to gather, we did not see a lot of that just because of the timing with the downturn (unintelligible).

MIKE DAWSON: So we probably purchased it but we didn’t have a good representative sample of performance, I take it.

TONY KOVACH: Can you email whatever data might be available?

MIKE DAWSON: Yeah -- loan level specific performance data, depending on the sample size that we have, we'll have to -- we’ll go back and take a look, certainly will do so. But we have looked at data from a variety of different sources around overall personal property performance. You know, some of it's through the cycle, some of it's not. We've spent a lot of time on researching the various aspects of performance of manufactured housing overall throughout, you know, even before Duty to Serve. We did a transaction I think in the early '90s, if I'm not mistaken, with Citi Group, that was an interesting transaction and it was a personal property loan that a lot of people still remember (unintelligible). But believe me, we've done extensive research on performance overall.

TONY KOVACH: I'll look forward to your follow up.

MIKE DAWSON: Great. Thanks Tony.

UNIDENTIFIED SPEAKER: (Unintelligible) As of now, Fannie and Freddie do not (unintelligible) loans that go directly to manufactured home communities (unintelligible). So my question is, what is holding Fannie and Freddie back from supporting (unintelligible)?

CRYSTAL BERGEMANN: So as I said earlier, we have (unintelligible) a pilot program for resident-owned communities to try to make it work. We've had some struggles with the – things like loan terms, and making sure that we're able to finance some things that can be securitized. We don't keep it on our balance sheet (unintelligible) to make sure that we don't have the risk there. But we're continuing to work on it. And since we've been working on our pilot, we have seen more interest from other players, other banks, other entities. And so, we're hopeful that there will be more entities out there also that would like to do resident-owned community loans, there will be more (unintelligible).

COREY ABER: I’ll say also, we also do finance resident-owned communities, and they are looking to do more, as I said earlier. I think some of the challenge is – is in, for new potential communities, in part is raising the equity for that. Or finding a subordinate debt provider or grant provider to take that other part of the capital stack. Because there’s a part that we can go up to, but then there's also a gap that needs to be filled. And so part of our efforts is, we're looking to work with other parties who can provide that gap and will work to sort of streamline that effort. And we have been in discussions with some, but not every one of those organizations covers the entire country. So, there is a little bit of a difference depending on the state you're in and the market you’re in, unfortunately.

UNIDENTIFIED SPEAKER: (Unintelligible)

UNIDENTIFIED SPEAKER: Can we publish community lender data?

CRYSTAL BERGEMANN: We’ll have to get back to you on that. If we can publish it, we'll certainly provide it. Thank you for the question.

COREY ABER: So the data that is available about the loans that we have purchased in multifamily homes, in our K-Deal data, so stuff that we've securitized, that data is -- we do have some reports on that.

KRIS SIGLIN: I'm Kris Siglin from the National Community Stabilization Trust and following Jim Gray's rule (unintelligible).

UNIDENTIFIED SPEAKER: Terrific, we'll go through that. Thank you.

JIM GRAY: All right, well that's a nice note to end on. So we're actually running a little bit ahead of schedule, so instead of convening back in the auditorium at 1:30 p.m., we'll convene there at 1:00 p.m., and hopefully we'll, you know, finish a little early. Okay? Thank you all.

-- BREAK --

JIM GRAY: Okay, we're ready to reconvene here with our manufactured housing panel and Tom Heinemann will be our first speaker, and then Jennifer if you could come down to the first row you'll be on deck.

TOM HEINEMANN: It's kind of an honor to kick off the manufactured housing discussion, so thank you very much. I'm here on behalf of the National Association of Manufactured Housing Community Owners. We are a new, a small credit group, founded just about a year ago. We are, our sole focus is on the needs of manufactured housing communities and their owners. We have approximately, between our state partner organizations, have approximately 2,000 communities throughout Nevada, California, Arizona, and individual members mostly smaller ones, under 50 have some over 100 pads but generally smaller independent categories. And we have those all over the country.

So for us, the important areas that we focus on are the manufactured housing community finance. It's important for smaller entities to be able to finance or refinance their communities in a way that facilitates some infrastructure improvements and keeping the viability and tracking of the property going.

So we generally support and, you know, over the course of the year, have numerous conversations with our members on tenant lease pad protections. And those -- all of those pretty much dovetail well with state laws and generally good business practices, i.e., the notice of rent increases, year term leases, the ability to sell, the ability to sell as opposed to eviction. All of those are just basic common business steps and our members are in it for the long gain. They appreciate the sustainability of the business model and they rely on the steady income that that community can provide.

So first and foremost, we want to see the provision that permits Duty to Serve manufactured housing community financing for the smaller communities with those tenant protections extended. We obviously would say more outreach is needed to those smaller entities, because that's an incredibly important part of the market. There's other factors that are impacting many of the viability of those pieces.

The second piece that still we want to see really do more research on is that's the chattel side. Because I think that the GSEs have done a great job working with stakeholders and the industry and really explaining the unique challenges of setting up a chattel pilot program. Not only from understanding the challenges pertaining to sort of the capital markets side, but also looking at all the challenges pertaining to the real estate market side. We think that that work should definitely continue. We think that that should eventually be elevated to a sustainable pilot. I would say that one of the important pieces to look at is leveraging the chattel purchases with those communities that have a key tenant protection, supporting those in tandem because that gives you a sense of the viability and the long-term sustainability, which is incredibly important.

The third piece -- and then looking at the chattel piece, before I get to the third, is also utilizing all of the credit models that you're able to use with the single-family and seeing the extent to which they can be applied to chattel. And this becomes more important when we look at low- or moderate-income families that have a very strong track record of utility payments, of lot rent payments. And the fact that there -- they have demonstrated the ability to maintain land lease payments over a long period of time, that should bode well for their homeownership ability.

So the third piece really has to look at, and now I'd say this is very much a research project that needs to be undertaken, and that is really looking at the market for older manufactured homes, or those that are not new in existing communities. These are the ones that, and I've heard it during our lunch, about the challenges of low-balance lending. This is especially true for those homes, right. Looking at the homes that can sell for between $30,000 and $50,000 sometimes a little lower. What does the lending market look like there? Are they able to access adequate financing? I’ve heard anecdotally for all of our members, that it's almost impossible.

And because of that, you have sort of a depreciation effect that is exacerbated because of the lack of financing. Again, it could be due to sort of the origination costs, regulatory burdens, etc., etc. So, if you were in St. Louis, you probably heard my colleague, Susan Brenton, talk about the challenges of finding that market for older homes. So, we think looking at that -- looking at that piece on the challenge because many times, you know, potential owners have to look at self-financing as a way to get in the market, to get homeownership. But the idea here is to create that study, create some outreach discussions so at least that market becomes more visible, more highlighted to your lending partners as well. So with that I think, that's basically what we would like to see, and thank you very much.

DAVID SANCHEZ: Next up we have Jennifer Hopkins, Director of Single-Family Housing at the New Hampshire Community Loan Fund. Mark Weiss, you're on deck.

JENNIFER HOPKINS: Hi, good afternoon everybody. I appreciate the opportunity to comment today. The New Hampshire Community Loan Fund provides loans and technical assistance to extend the reach of conventional lenders. Established in 1983, we were one of the first community development financial institutions in the country with a mission to leverage financial and civic resources to enable traditionally underserved people to participate more fully in the economy.

One of our strongest and longest strategies is to transform the manufactured housing sector to better serve people with low incomes, supporting both loans and education for resident-owned manufactured home communities, and also mortgage loans for people who own manufactured homes.

We favor the view that manufactured home mortgage financing can look and act just like mortgages on conventional site-built homes. The innovation needed in the market does not mean special treatment, but fair access to the same mortgage financing that site-built homeowners have. There are still parts of one or both of the Enterprises' mortgage products that severely limit the number of homeowners who can use them, or raise the cost of access for homeowners.

And while we applaud the steps that both of the GSEs have taken, in some or parts of these topics there are still gaps. Like, mortgage loans are available for double-wide manufactured homes, but not single-wide homes. This leaves out in New Hampshire most of the manufactured home market. Limited financing can be available for home repairs. Like homeowners in the site-built market, people who own manufactured homes will benefit from home improvement loans for routine maintenance, like a new roof, new furnace, new windows, more energy upgrades needed as a matter of time.

Manufactured homebuyers need construction loans to buy and site the home. Without (unintelligible) construction loans, buyers obtain more to finance the purchase and construction of homes before they can get permanent purchase loans.

Foundation standards can be unclear, unnecessarily restrictive, and can rule out many homes that were built before permanent foundation requirements became law. We have seen one homeowner with a manufactured home on a hole foundation, required to put unnecessary and expensive tie downs on her home, even though the hole foundation provides better security, because tie downs was included on the list of foundation requirements for every manufactured home.

Appraisers sometimes don't have good information to make market value comparisons for manufactured homes which can lead to depressed values for these homes, especially in rural areas where there may not be a quantity of manufactured home sales that would (unintelligible) very useful.

Credit limits currently eliminate many manufactured home buyers. While the Enterprises use something like a 620 minimum credit score the Community Loan Fund lends with an average 620 credit score, meaning that half of our borrowers, who we know are successful with their loans, would not be eligible for Enterprise financing solely on credit score. We see things like medical collections for expensive care affecting many people's credit scores, where they have no bearing on whether someone will be a good mortgage borrower.

Finally, manufactured homebuyers will also commonly need downpayment assistance. Even when mortgage payments for a manufactured home can cost less than renting, the upfront costs of downpayment and closing costs are the number one barrier to getting people into that home. Things like loan-to-value ratios, downpayment assistance, and PMI, private mortgage insurance, are all part of the solution. We would also point to the Fannie Mae New Hampshire Manufactured Housing Community Initiative that's a unique initiative that could be expanded. It serves owners of manufactured homes in resident-owned communities (unintelligible) loan products through the New Hampshire Housing Finance Authority. We applaud the leadership of Fannie Mae in establishing this program as a pilot in 2008 and making it a part of the Seller-Servicer Guide soon after. With some streamlining of that model, it could be a blueprint structure useful in other states, not just in ROCs but in other manufactured home communities as well.

On the community side, our experience is through ROC-NH. That is a program of the New Hampshire Community Loan Fund and a member of the ROC-USA Network which serves as a connection between our ROC organization and works nationwide with residents of manufactured housing communities. The highlight of the New Hampshire environment, where 30 percent of all parks are now resident-owned, is that homes in ROCs show an increase in value consistent with site-built homes.

We strongly support the Enterprise activities related to facilitating a secondary market for mortgages on manufactured housing communities. And we also support implementation of specified minimum pad lease protections for tenants in investor-owned communities. This is critical to consumer protection in the market.

We also encourage investments in research and community initiatives. Where the Enterprises cannot lend themselves, investments in CDFIs go directly to capacity, training and community development, and leverage Enterprise investments into the market. CDFIs are certified by the Treasury and committed to reaching underserved markets. And investments in CDFIs that invest in manufactured homes can further extend the Enterprises' reach if FHFA will revisit its interpretation and allow it.

Finally, research is an area of deep expertise within the Enterprises and could be focused to advance manufactured home markets. (Unintelligible) and products include valuation of manufactured homes, (unintelligible) of depreciation vs, appreciation that we did with (unintelligible), opportunity to purchase laws, titling reform, appraisals and appraiser education, or energy efficiency. Thank you for the opportunity to comment as I encourage you to enact these important issues.

DAVID SANCHEZ: Thanks Jennifer. Next we have Mark Weiss, President and CEO of the Manufactured Housing Association for Regulatory Reform. Gabriela Garcia, you're on deck.

MARK WEISS: Thank you and thanks to FHFA for holding this session. My name is Mark Weiss and I'm President and CEO of the Manufactured Housing Association for Regulatory Reform. MHARR, which is based here in Washington, represents independent producers of manufactured housing regulated under federal law by the U.S. Department of Housing and Urban Development. MHARR's member companies are located in (unintelligible) in all regions of the United States.

Manufactured homes are specifically recognized in federal law as a source of inherently affordable homeownership and are regulated under a system that is expressly designed to (unintelligible) affordability in a manner that is consistent with both quality and consumer safety. And in fact, that overriding objective which motivated Congress when it enacted the original Manufactured Housing Construction Safety Standards Act in 1974 and modernized that law in the Manufactured Housing Improvement Act of 2000 has been achieved in today's manufactured homes, which provide both safety and (unintelligible) amenities in homes that are affordable for Americans at every rung of the economic ladder.

And in fact, this fact is confirmed by federal government research which established that the mainstream HUD code manufactured housing is the nation's most affordable source of (unintelligible) homeownership, providing affordability that readily surpasses both site-built housing and various types of rental housing as well.

The availability of manufactured housing, however, remains unfortunately an unfulfilled promise for millions of otherwise financially qualified Americans who seek a home of their own. In large measure this unfulfilled promise continues today because of the equally unfulfilled promise of the Duty to Serve underserved markets as it pertains to mainstream federally regulated manufactured homes.

And the market statistics are frankly shocking. In 1998, nearly 375,000 HUD-code manufactured homes were produced and sold in the United States. By 2009 that number had fallen to less than 50,000 homes, a decline of nearly 87 percent. From 2009 to 2018 industry production rebounded modestly to over 96,000 homes, but for more than a decade has lingered well below the historically (unintelligible) benchmark by over 100,000 homes per year.

In 2019, after this period of slow production and sales growth, the industry is once again facing a production decline to an estimated annual production level of approximately 94,000 homes. Now to be sure there are multiple obstacles (unintelligible) the utilization and availability of affordable mainstream manufactured housing. Some of these such as excessive regulation and discriminatory or exclusionary zoning at the local level are beyond the scope and purview of Duty to Serve. But the availability or extremely limited availability -- excuse me, but the unavailability or extremely limited availability of consumer financing for many would-be manufactured home purchasers, or the unavailability of competitively priced consumer financing for many of these purchasers, has significantly suppressed the (unintelligible) of the market over the long and short term.

This in turn needlessly excludes millions of otherwise qualified moderate- and lower-income Americans from all the benefits of homeownership. And even for those who are not excluded from the HUD-code market altogether by this lack of consumer financing, the absence of full-scale competition in the manufactured housing consumer finance market, driven by the lack of securitization and secondary market support for that sector, in a manner which (unintelligible) approaching that provided by Fannie and Freddie for the site-built housing market, means limited financing options, higher-cost interest rates, and needless expense for those who are able to find lenders and qualify for purchase loans.

This is in large measure because the lack of securitization in secondary market support from the government-sponsored enterprises keeps additional lenders out of the mainstream HUD-code manufactured housing finance market. This leaves the market largely dominated by captive portfolio lenders affiliated with the industry's largest manufacturers. Those lenders in turn charge higher-cost interest rates than would otherwise characterize a fully competitive market with GSE secondary market support.

And I would state that you don't have to take my word for those contentions. Just recently Capital Enterprise (unintelligible) the largest manufactured housing producers which had some captive financing company, stated in its 2019 third quarter 10Q filed with the US Securities Exchange Commission, "The lack of an efficient secondary market for manufactured home loans and the limited number of institutions lending to manufactured home buyers results in higher interest rates for loans secured by manufactured homes, compared to those for site-built homes. This continues to constrain (unintelligible) growth. Expansion of the secondary market for lending through the GSEs could support further demand for manufactured housing as lending options (unintelligible) become more affordable to home buyers. Although some progress could be made in this area, meaningful positive impact in the form of increased homeowners has yet to be realized."

The lack of the GSEs' support of a secondary market for HUD-code manufactured homes has thus negatively impacted both the industry and all those various segments, as well as the moderate- and lower-income American consumers who rely most on manufactured housing as a source of inherently affordable homeownership.

(Unintelligible) 11 years after enactment of Duty to Serve, and two-thirds of the way through the initial three-year DTS implementation plan, the mainstream manufactured housing market and mainstream manufactured housing consumer remain for all intents and purposes unserved by the GSEs, notwithstanding claims and certification to the contrary. As was confirmed by Fannie and Freddie at the November 19, 2019 listening session in St. Louis, neither entity has provided any support, not in 2018 or 2019, for the personal property or chattel loans which comprise nearly 80 percent of the manufactured housing finance market, and the MH Advantage and Choice MH programs put forward by each entity served a grand total of approximately ten loans as stated at the St. Louis meeting.

The bottom line is that Duty to Serve has had virtually no impact on the manufactured housing market. It needs to be addressed, it needs to be implemented, and our organization for its part is calling for Congressional oversight with respect to the failure thus far to have DTS implemented with respect to the manufactured housing market in a significant manner. And we would urge FHFA to join with us in making that request. Thank you.

DAVID SANCHEZ: Thank you Mark. Up next is Gabriela Garcia with BASTA (unintelligible) and Elizabeth Voigt is on deck.

GABRIELA GARCIA: Good afternoon, thank you for inviting us here today. We appreciate the opportunity to be able to let you know how Duty to Serve impacts residents of mobile home parks directly. My name is Gabby Garcia. I’m an organizer with BASTA in Austin, Texas. BASTA stands for Building and Strengthening Tenant Action. We're a nonprofit project that works with renters throughout the City of Austin to support them in enforcing their rights and getting needed repairs.

BASTA is currently working with three mobile home communities in Austin, all of which are struggling with rent increases, problems with management, and the potential threat of displacement. Two of these properties are owned by large private equity firms. I have personally worked side-by-side with residents at all three mobile home communities, who are fighting for better conditions and better treatment for residents.

In addition to my work as an organizer, the issues that we're discussing today have a direct impact on me on a personal level. I grew up in a mobile home park in El Paso, Texas where my mom still lives today. She and my family are struggling to figure out if they can afford to stay in the mobile home park that they have called home for over ten years. These are the reasons that I'm here testifying today. I (unintelligible) and other residents from mobile home parks across the country will tell you in a few minutes, the problems that we're talking about are not unique to one geographic area. They are happening in communities across the nation.

Mobile home communities provide low-income families an affordable housing option where they can experience a piece of the American dream by owning their own home. Even if they don't own the land (unintelligible), they do not have to share a wall with their neighbors, (unintelligible) in their yard, and they can do it all within their means.

But for many families the dream has become a nightmare as communities disappear to make room for upscale housing and (unintelligible) are sold to out-of-state predatory lenders who jack up rents and provide minimal (unintelligible) service. Corporate owners use (unintelligible) communities as an opportunity to line their pockets and they're not interested in the well-being of residents who live there. And so these are the stories that I'm going to share with you today.

For the past year I've been working with the residents of North Lamar Mobile Home Park. This community started to organize soon after their property was sold in 2015 to RV Horizons, a large private equity corporation whose owners (unintelligible) are also running Mobile Home University. This is a seminar where they teach people to strike it rich in mobile home parks through a business model that encourages them to raise the rent every year and make little to no improvements.

Before working with these residents, I heard stories from my coworkers about how they had stood up to these owners. I heard about how they pushed (unintelligible), and they dreamt of buying the property and turning it into a resident-owned cooperative. One of the most amazing things I've witnessed working alongside these residents is how generous (unintelligible) are to help their neighbors. In August the entire property lost gas for more than 3 weeks because of shoddy construction work by the owners. You'll hear more details about this from one of the resident leaders (unintelligible), but what I want to focus on was what happened after most of the units got their gas turned back on.

There were a handful of families that could not afford the repairs and the (unintelligible) to get the gas reconnected. So, the resident association took it upon themselves to organize a fundraiser to help these families. They donated food, they signed up to volunteer, and they came out to support the event to raise funds to help their neighbors. And I want to point out that the majority of these families are of modest means, but this had no impact on their generosity or their ability to look out for one another. And this is the type of community that should -- we should be striving to preserve and to create.

Fannie Mae and Freddie Mac play a crucial role in ensuring that communities like North Lamar Mobile Home Park continue to exist and to flourish. Under the Duty to Serve plans, Fannie and Freddie are obligated to ensure that low-income families are protected, and that affordable housing options are preserved. Instead, the Duty to Serve provisions are being undermined and corporate investors are backed without providing any mechanism to ensure that communities are not being preyed upon after the purchase. FHFA, Fannie and Freddie have the power to ensure that residents' basic rights are being met. This can be accomplished by taking the following actions.

One, you can ensure that all manufactured home community loans under the Duty to Serve plan include long-term leases with (unintelligible) justified rent increases. At North Lamar Mobile Home Park, residents have seen their rent costs nearly double after RV Horizons bought the property. For families with fixed incomes (unintelligible) means having to choose between paying their rent and buying groceries. Long-term leases are also important to give residents greater security. After RV Horizons took over at North Lamar, residents were put on month to month leases which leaves them vulnerable to (unintelligible). In Texas, mobile home park residents on month to month leases can have their tenant lease terminated (unintelligible). And the problem isn’t just happening in North Lamar Mobile Home Park. (Unintelligible) leases and month to month contracts are becoming more commonplace and mobile home parks (unintelligible).

Freddie and Fannie also have the ability to mandate requirements to ensure that communities are maintained in a safe and healthy manner and that residents are treated with dignity and respect. Residents should not have to live next to an overflowing dumpster that brings rodents and infests their homes. They should not have to fear for their safety because the property owners refuse to maintain secure lighting. At North Lamar Mobile Home Park, residents have been asking for lighting for (unintelligible) for years. The last lighting (unintelligible) children to play outside. Residents should also be able to get repairs without jeopardizing their safety. As I mentioned earlier, the whole complex had their gas shut off for weeks because the maintenance workers were doing (unintelligible) project and they hit gas and water lines, because they never called to see where they were. Then after creating this disaster, they capped the gas lines with PVC piping which is incredibly dangerous.

Residents should not have to put up with rude and absent managers. Having a responsive manager for residents is crucial and is (unintelligible). A few months ago, a resident at North Lamar Mobile Home Park had her car towed. She tried reaching the manager to find out what towing company had taken her car. She left multiple messages that were not answered and finally so much time passed that she couldn't afford to get her car out of impound. And residents should never have to find themselves in a situation like this just because their manager is not willing to pick up the phone.

Fannie and Freddie should require tenant protections which include just-cause evictions, protections against retaliation, and establish residents’ rights to organize and organize a tenant association. At (unintelligible) mobile home park, another park in New York and which is managed by RHC, residents are being threatened for (unintelligible). Retaliation is so (unintelligible) the managers call residents at work to threaten them. And so these are the situations that mobile home residents are living in and we wanted to add that if an investment entity does not meet these requirements, if they will not comply with these things, they should not get corporate, or you should not back these corporate investors.

Finally, I would just like to say that Fannie and Freddie could help communities like North Lamar Mobile Home Park by creating a path for knowledge of (unintelligible) like cooperative organization and nonprofit status or funding so they can collectively purchase their communities. Residents have been wanting to purchase their communities since 2015 but (unintelligible).

So finally, I just want to say that we believe housing is a human right, not a (unintelligible) profit, and that all families deserve a healthy and affordable place to live. Manufactured home communities are a crucial source of affordable housing and they need to be protected. Thank you.

DAVID SANCHEZ: Thanks Gabriela. Next is Elizabeth Voigt, the co-director of MH Action. And Matt Chapman, you are on deck.

ELIZABETH VOIGT: Good afternoon and thank you for the opportunity. My name is Elizabeth Voigt, and I am a co-director of Manufactured Housing or MH Action. MH Action is a membership organization of residents of manufactured home communities who are fighting to preserve the affordability and viability of their communities. Our work is centered around the belief that everyone should have an affordable healthy home and community and live with dignity and peace.

Like Gabriela talked about, the 38,000 manufactured home communities in the US provide affordable homes for millions of residents. They are diverse, compassionate, beloved communities for seniors on fixed incomes, low-income families, immigrants, people with disabilities, veterans and other communities (unintelligible) low cost housing.

But these communities are under threat. Real estate investment groups have seized on the vulnerability of homeowners who own their homes but rent the land beneath their homes. And they've built a highly profitable business model. These companies rely on manufactured home residents’ limited mobility to ensure stable revenue, squeezing fast profits out of low-income families and seniors, many boasting of returns of 20 percent or more with devastating effects on low-income seniors and families.

A report from MH Action’s private equity stakeholder project and Americans for Financial Reform released earlier this year details how real estate investment trusts and, increasingly, private equity firms and institutional investors are piling into the sector. Their business model is spreading and ownership is consolidating into a smaller and smaller group of (unintelligible) investors. Private equity groups now own more than 200,000 home sites. Real estate investment trusts own another 187,000 home sites. Two million people are paying their rent checks to just [inaudible] corporate owners.

Under this model, residents are suffering. Every day residents are reaching out to MH Action in crisis because their rents are going up ten, 20, 50, 70 percent under a new corporate owner. Their utilities are being decoupled, maintenance in their community is worsening, and they are fearing homelessness and the destruction of their community. Lives are being ripped apart for the sake of returns to investors.

And Fannie Mae and Freddie Mac are fueling this trend. The Duty to Serve plans promise to study nontraditional ownership models, aiming to help just a small number of communities transition to resident-owned cooperatives and nonprofit owners. Meanwhile, all across the country residents are in desperate need of an ownership model that will protect the affordability and preserve the long-term stability of their communities. They need more robust commitments from you to resident-owned cooperatives and nonprofit owned communities, and assurances that these alternative ownership financing programs will be available in communities of color, and further fair housing.

Worse, while Fannie Mae and Freddie Mac are making small promises to support pilot projects for resident-owned cooperatives, nonprofits and government owners, they have facilitated $12 billion in financing to support portfolio buyouts of manufactured home communities by investors on the business side, including at least $1.6 billion to private equity groups. So, while the Duty to Serve plans are delivering crumbs to residents, the multifamily business is serving a grand feast to investors.

And Fannie has outrageously described these loans to investors as affordable housing preservation, but many of these companies as you'll hear more today are gouging residents for high rents, failing to maintain communities, and pushing seniors and low-income families to homelessness. And with their predatory business model, they are driving up the cost of land, so even when residents have the opportunity to purchase their community under opportunity to purchase laws, residents can't compete with the high cost -- the high prices that the predatory investors will pay. So, we're undermining the Duty to Serve goals with the business side lending.

Facilitating lending to these exploitative investors is directly at odds with the Enterprises' obligation to serve manufactured housing and affordable housing. You've heard from Gabby and you will hear a number of MH Action residents, MH Action leader-residents today who've traveled from all across the country to tell you their stories of what's happening under this model. And they are here to ask for your assistance for low-income families and seniors.

We urge you to do more than say that you will take their promise back to your offices. We urge you to heed their demands and take action. We are calling on Fannie, Freddie, FHFA to ensure that all the manufactured home loans, loans going directly to resident-owned collaboratives and nonprofits under the Duty to Serve, and all of the multifamily manufactured home community financing to investors, we need (unintelligible) criteria to protect residents. These loans must include obligations from community owners that go beyond the pad protections that are in place. To provide long-term leases with gradual justified rent increases that preserve affordability.

They must include requirements that ensure community safety and health and they must be assessed for racial equity and further fair lending. And we invite the heads of FHFA, Fannie and Freddie to see the impact of these investors by visiting communities bought out by Haven Park Capital and other predatory owners. You'll hear more from residents today who want you to come and see exactly what's happening. In short, we urge the Enterprises to fulfill their obligations to serve residents of the manufactured housing sector, not further enrich wealthy investors. Thank you.

DAVID SANCHEZ: Thanks Elizabeth. Up next we have Matt Chapman, and on deck is Lesli Gooch.

MATT CHAPMAN: Hello. My name is Matt Chapman, I'm from Waukee, Iowa. I'm a member of Manufactured Housing Action and an activist in our community. And I want to thank you for the opportunity to speak today.

I've lived in my home at Midwest Country Estates for 11 years. In 2008, I bought my home for $27,000. Working in restaurants my whole life, that was a huge investment into a home. It was all the savings I had. It was amazing to own my own home, something I had dreamed of for 40 years. Then in April of 2019, after buying our park with funds provided by Fannie Mae, all 300 households in our community got a notice on our doors. The rent was going up to $500 a month in 60 days. Around $600 if you add the new fees going into effect in January. That's going to double our rent.

For some it was just frustrating, but for many seniors, quite a few of them veterans, disabled on fixed incomes, and single parents, it was a threat to their housing. They were going to be homeless. My neighbor Bob immediately put his home up for sale and declared bankruptcy. Bob gave up his belongings and moved into a senior living home. It was a lot of stress to work through and work for him and he died very shortly after moving into that home. Another elderly community member in her 80s was already working 20 hours a week to get by. The extra $200 to $300 she now needs to raise is a terrible hardship for her. Another friend of mine in his 70s just lost his wife. When she passed, he lost her income as well and has almost nothing left after he pays his monthly bills.

There are many folks in their 70s, 80s and 90s, as well as disabled folks who are getting pushed out. And why? Because some private equity firm -- so a private equity firm can maximize profits for their shareholders and executives. And where are these people supposed to go? Many are trying to sell, but with the lot rent for new tenants set at $595, no one is selling their home unless they take a deep discount on the home's value. Haven Park Capital paid $17.4 million for our park, with Fannie Mae financing through Bellwether Enterprise, even though it’s assessed at $2 million for roughly 40 acres.

This is their strategy. To give mom and pop, who own the park, an offer they can't refuse. They then promised a 20 percent return on investments for investors and themselves, all at the expense of some of the most vulnerable in our communities. Fannie Mae says these manufactured home purchases are preserving affordable housing and are consistent with the Duty to Serve obligations, but these loans are destroying affordable housing. We are being forced out by dramatically increased rent, fees and fines.

On top of the giant rent increases, Haven Park Capital is going to charge us for both sewer and water in January. They also want pet and admin fees starting at the same time. This will easily be another $100 or more for all 300 households. They did split the 60 to 70 percent increase in our rent into two phases, but that just means that we're paying that astronomical hike by next April. It does nothing to help folks on fixed incomes, if they are lucky to get the two percent increase yearly. With the new fees, many folks will be paying twice what they did last April. Anthony Antonelli, the principal of Haven Park, claimed that our homes would be worth more as the lot rent went up. But actually these increases are traps. We can't afford to stay, and we can't sell our homes to leave.

And these rent hikes and fees aren't going back into our communities. When Haven Park took over, we were promised a community center with locked mailboxes. That's never been mentioned again. We were told at a meeting (unintelligible) that they were going to have a scholarship fund and a dog park. All they've done is blocked off some streets, cut down a few trees and built a playground. We've seen no signs that Haven Park is investing in preserving our community.

And I own my own home. Seventy percent of my monthly income goes to rent and utilities. So, Fannie gave Haven Park a $100 million line of credit and they exploited seven communities just in my state. Haven Park has at least 35 acquisitions currently in the Midwest. It's outrageous that Fannie can say financing for this company is preserving affordable housing. This is a perversion of a federal program. It is critical that Fannie and Freddie help preserve affordable housing and the needs of people like me. But instead the most critical programs are being captured by private equity groups and billionaires who raise rents, receive big payouts and push out the most vulnerable tenants.

At the I'M HOME Conference in Portland two weeks ago, I had a chance to ask the Fannie and Freddie panel about funding Haven Park Capital and the responses suggest that the tenant protections are the solution. Pad protections, which aren't even required, are not the answer. They do nothing to stop these companies from exploiting vulnerable tenants. Rent increases, sometimes as high as 65 to 70 percent are the drivers for these investors and this will continue if nothing is done to address these costly increases. We have (unintelligible) community but now folks don't feel secure in their own homes, because they're afraid that the next rent increase or fine will put them out in the street. Imagine being here since 1969, like one of our residents who is 92, and having that fear.

Everyone should have the safe that provides peace and comfort and safety, but there's little of that in our community.

To worry about losing the one place in the world that is your family's sanctuary, just so investors can get a 20 percent return. That may be legal, but it ain't moral. So we're asking that the FHFA, Fannie and Freddie stand with us. We invite the heads of the FHFA, Fannie and Freddie to come (unintelligible), come to my community and other Haven Park communities to talk to residents and listen to the solutions we're seeking.

The FHFA, Fannie and Freddie, need to ensure that all manufactured home community loans, including those going to resident-owned cooperatives and nonprofits under the Duty to Serve plans, and multifamily financing to investors meet basic criteria to protect our communities. Such as, give us (unintelligible) obligations on community owners to provide long-term leases with gradual, fair and justified rent increases. They must include requirements for maintaining community safety and health. And they must be assessed for racial equity and further fair lending. And if loans don’t meet basic affordable and fair housing obligations you must stop (unintelligible) manufactured home community acquisition loan. Millions of low- and fixed-income Americans are looking to you to stop and reverse this exploitation.

JIM GRAY: Matt, you're going to need wind up.

MATT CHAPMAN: Yeah and so that’s it. So, I just want to give you -- please accept this invitation to come visit us and thank you all for your time.

REBECCA COHEN: Next up is Lesli Gooch, CEO of the

Manufactured Housing Institute.

LESLI GOOCH: Thank you very much. Thank you to the team from FHFA, Fannie Mae and Freddie Mac representatives that are here, and members of the audience and those that have spoken today about the value and importance of manufactured housing. My name is Lesli Gooch, I will become the CEO of MHI at the beginning of next year. I'm currently MHI’s Executive Vice President for government affairs and advocacy.

MHI is the only national trade association that represents all segments of the factory-built housing industry. Our members include homebuilders, lenders, retailers, community owners and operators, suppliers and others who are affiliated with the manufactured housing industry. We have 49 affiliated state organizations. I'm here today to talk about the Fannie and Freddie upcoming plans and then kind of do a lookback at we've heard about what's happened in the current plan time.

We appreciate FHFA, Fannie Mae and Freddie Mac for their attention to the manufactured housing market. Five years ago, when I started with MHI, coming from Capitol Hill, there wasn't so much attention. But throughout the Duty to Serve listening sessions, we have been so pleased this year to see that the majority of the speakers are talking about manufactured housing, because it is such an important source of affordable housing for this country. So, thank you for what you did over the last few years to make manufactured housing something that we can have a conversation about in Washington. And we look forward to the development of the 2021 to 2023 plans, and we hope that you will take our comments into consideration.

At the two previous listening sessions, one in St. Louis, one in Los Angeles, MHI representatives discussed the importance of the GSEs’ committing to support the personal property market, the chattel loan purchases, and to increasing their volume of real property manufactured home loan purchases. But there's also been a substantial discussion at the prior sessions, and today, about manufactured housing lending in communities. So I would like to focus on these three areas.

First, with respect to personal property chattel programs, we believe that this is vitally important, and it should begin. We think that the chattel pilot must be a permanent program, not a pilot. And that the activities of Fannie and Freddie should mirror the market. In the last plan period, there's been a considerable amount of time and effort dedicated to preparing, gathering data, developing activity to "test and learn" about the chattel market. We commend each of the GSEs for this important work.

For the next plan cycle, we strongly encourage the GSEs to apply the lessons they have learned and actually start securitizing chattel manufactured home loans. Given that close to 80 percent of the manufactured housing loan market consists of personal property loans, we do not believe that Fannie Mae and Freddie Mac can comply with their Duty to Serve manufactured housing without having a substantial purchase level for these loans. We believe that in order for the chattel programs to be impactful and scalable though, they must be permanent, and they must mirror the market as a whole.

The chattel programs should encompass a representative cross-section of the market and a cross-section of lenders. This is an absolutely critical point. A lack of market depth or a lack of commitment to a permanent program could negatively impact millions of families by disrupting the current market and resulting in increased mortgage rates, leaving consumers either unable to purchase a manufactured home titled as chattel or unable to sell their manufactured home titled as chattel.

These initial chattel loan purchases by Fannie and Freddie should not just be a few one-off purchases for a few years in which they just buy the safest and easiest loans. We strongly encourage the FHFA to support the Enterprises' development of a permanent chattel program that encompasses a representative cross-section of the market and a cross-section of lenders. The goal should be to lead to a flow program in which the lenders can originate to underwriting standards put out by Fannie Mae and Freddie Mac.

Second, the GSEs should continue to increase volume for real property manufactured home loans. MHI commends both Fannie and Freddie for several policy changes and variances to its MH products to increase volume for real property loans and we encourage continued strategy to support real property loans going forward. We want to see this volume continue to increase.

In addition, MHI is pleased that both GSEs have introduced new programs that provide affordable conventional financing for manufactured homes that have site-built features. Qualifying features for the MH Advantage and Choice Home programs align closely with MHI's new cross-mod homes, with higher roof pitches, permanent and lower profile foundations, garages or carports and porches. Looking forward, MHI believes the GSEs can provide further support on certain challenges the industry has seen in developing this new product, specifically with respect to appraisal and engagement issues.

For example, we encourage the GSEs to create a strategy for assisting with zoning. Such a strategy could include the development of educational materials and relationship-building with local government and entities. We also need to address appraisals to ensure that appraisers follow the new appraisal guidelines for a home to qualify for Choice Home and MH Advantage. We recommend the GSEs develop a functional solution that fits into the lender and underwriting process. In sum, we recommend a more purposeful approach to engagement for retailers, lenders, loan originators and appraisers so they are aware of these new programs.

Now third, there's been much discussion during these Duty to Serve listening sessions about the GSEs’ support for the purchase of land lease communities. I just want to be clear, that if you go back to MHI's initial comment letter about the Duty to Serve, MHI did not advocate for the purchase of communities as a part of Duty to Serve. However, MHI did work with the FHFA and Fannie Mae and Freddie Mac to establish protections that can help with land lease community protection. We still think that the focus should be on chattel and real estate volume, and that should be the focus of Duty to Serve. But having said that, land lease communities with community protections offer more than affordable housing. They offer a sense of neighborhood, and they feature a range of amenities.

We recently conducted a national survey that measured the satisfaction of community residents that showed 95 percent of residents in 55 and over communities and 87 percent of residents in all-age communities were satisfied with their homes. Clearly MHI understands that there are cases of bad actors raising rents excessively and otherwise acting in good faith. That is why we recently reaffirmed our commitment to ensuring residents of manufactured home communities have the highest quality of lifestyle by approving a national code of ethics.

MHI's National Community Council developed this code of ethics, which outlines eight principles that NCC members must subscribe to as a part of their membership. The principles focus on promoting the benefits of manufactured housing, as well as customer and resident relations. While the upholding of these principals is already the norm of professional owners and managers, given these recent reports, the NCC wanted to make clear that its membership should be providing their residents an outstanding homeownership experience. We believe that such responsible professional ownership of communities could be supported by the GSEs.

Dedicated investor owners have the resources and expertise to steadily reinvest in communities to ensure quality of life for residents. Professional management supports not only the overall appearance of the community, but also ensures that the infrastructure is safe and reliable. In fact, there were six communities in New Hampshire that voted by over 90 percent, the residents voted in six cases that they did not want to be resident-owned, that they wanted to use the land lease community model with consumer protections.

JIM GRAY: Leslie, you're going to have to wind down.

LESLI GOOCH: In conclusion, well -- raising rents and evicting tenants is counter to the prevailing business model of every professional land lease community owner operator who relies on stable rent and occupancy, and MHI supports protections to make sure that doesn't happen. But when you look nationally, the average site rent increase across the country is three percent. And that is so much lower than what you see right now with apartment rents and condominium fees.

So, thank you for your work, all the work that has gone into Duty to Serve activities. We stand ready to help you and support the GSEs as they take the next steps in continuing to develop a robust secondary market for all manufactured home loan products. We encourage you to focus on the loans and on the consumers themselves as a part of Duty to Serve. Thank you very much for your time.

JIM GRAY: Thank you. So, recognizing that I’m at a little bit of a credibility deficit for not starting promptly every time that I said I would, we're now going to take a precisely ten-minute break because we want to not get behind schedule. So, at 2:10 p.m. we will resume. And so I ask that the folks up here be back a little bit before 2:10 p.m., and our next two speakers in the front row. Thanks.

-- BREAK --

JIM GRAY: If everybody would please take your seats. We're about ready to resume. It’s been a while since we've offered a couple of reminders, so I'm going to say them again. One is that we are audio taping everything that's said. We intend to use that for transcription purposes. You will be able to find a transcript of everything that's said posted on our website as soon as we can get that transcribed.

And then the second announcement is especially for the speakers about how the seven minutes works. So, Rebecca has a little clock here that you can -- you'll be able to see. It has a green, yellow and red light. And for the first six minutes you'll see the green light, then when you get to the one-minute mark the light will turn yellow and then when you are at your stopping point the light will turn red. So, we do need to try to manage everybody to stay within your seven minutes, please.

Okay. So for this next group, our first speaker is Stacey Epperson. And our on-deck person is Doug Ryan. If Doug would come to the first or second row.

STACEY EPPERSON: Hello. My name is Stacey Epperson, and I'm the founder of the Next Step Network. Our organization strives to put sustainable homeownership within reach of everyone, while transforming the manufactured housing industry through consumer education, affordability and energy efficiency. Thank you for hearing our voice. Thank you FHFA and the GSEs, Fannie and Freddie. It’s really important that you hear some of these important policy considerations.

Our organization leverages a national network of partnerships, including housing manufacturers, retailers, lenders, nonprofit developers, and housing counseling agencies. We believe manufactured homes offer a balance of affordability, energy efficiency and performance. And they make owning a home possible for families priced out of the site-built housing market. We commend both FHFA and the GSEs for the impact they've already created in the manufactured housing space. Working collectively with partners across the country, they have made real strides toward increasing access to affordable homeownership. However, our network of partners also recognize that more can be done to ensure that these homes are a viable homeownership solution. Given their role in the secondary market, the GSEs should continue to be the thought leaders for advancing manufactured homes as the solution.

Since the enactment of the GSEs’ Duty to Serve plans, we have already begun to see positive impacts in this space. Our

Smart MH program in partnership with Freddie Mac has brought together more than 400 retailers, counseling agencies and 30 lenders to provide housing counseling and education services to more than 1,000 individuals seeking to achieve homeownership.

The GSEs' (unintelligible) finance offerings are providing new opportunities for planned developments that offer affordable choices for our families. With these advancements in this space, now is the time to press forward and leverage Duty to Serve to a greater benefit. It's really important that -- kind of look where we are and I don't think it's a time to retreat, but to invest in more in this underserved market. FHFA and the GSEs should take a more active role in raising awareness and building partnerships that promote the uniform zoning and building codes for manufactured homes. Restrictive zoning presents (unintelligible) manufactured homes and contributes to NIMBYism that restricts access to affordable housing options.

The GSEs should also consider a large push to educate key stakeholders, including the general public, about manufactured homes. More effort into training appraisers, Realtors and local officials will allow for greater success of their Duty to Serve plans. FHFA should also direct the GSEs to (unintelligible) pre-purchase housing counseling and education for all manufactured housing loan purchases. Educated buyers are able to make better informed home purchase and finance decisions, ensuring their monthly payments are manageable and within their budget.

Additionally, we recommend that FHFA give the GSEs credit for serving families at 100 percent of area median income in high-needs counties, as opposed to the current 80 percent of AMI threshold, particularly in rural communities. To deeply serve rural, we need to deeply serve manufactured housing. This will support more opportunities for the replacement of older units where homebuyers may be interested in replacing their home but lack the capital to do so.

We believe that useful industry data is critical to ensure that we have -- so that we leverage manufactured homes as an affordable homeownership option. FHFA and the GSEs should push for standardization of data reporting (unintelligible).

We also believe first that FHFA and the GSEs should require loan products to do real estate mortgages for single section homes. Fannie and Freddie can point to products, but the reality is that the stipulations make these products almost unusable for most areas of the country. For example, you would be hard-pressed to find a planned unit development, or PUD, in most of rural America. If you want to serve rural, you must go deeper in these markets to reach the low-income (unintelligible) residents.

We believe the GSEs have made some great efforts to support energy efficiency, but I believe have fallen short of what's really needed. Energy efficiency should be (unintelligible) Energy Star. We see products that are well-intentioned but have design flaws to really work in the MH, or manufactured housing market.

Finally, kudos to all on the MH Advantage and Choice Home loan products. Next Step fully supports this part of the market. We believe it's critical for our mortgage-ready Millennials and also our step-down Baby Boomers. We are grateful that the industry has elevated the specifications of the homes, have made them to look indistinguishable from a site-built home, and in fact have been supporting these efforts for the last 15 years. But caution, more investment is needed to make this market robust. Patience is required. It's not a time to pull back, but rather double down (unintelligible) underserved markets. We have a very special opportunity to help close the affordable supply gap in this country. Thank you.

DAVID SANCHEZ: Thank you Stacey. Up next we have Doug Ryan, a senior fellow at Prosperity Now, and Valerie Moody you are on deck.

DOUG RYAN: Prosperity Now is a national nonpartisan nonprofit organization based in DC that works to expand economic opportunity for all Americans by promoting and advocating asset-building policies and programs. Since 2005, Prosperity Now has convened the I'M HOME network, (unintelligible) manufactured homes, a national coalition of service providers, lenders, intermediaries, and managers working together to improve access to high quality mortgages and home loans, energy-efficient manufactured homes, finance for manufactured housing communities (unintelligible) chattel financing, promoting resident and nonprofit community ownership and providing a voice for manufactured homeowners across the country on policy issues.

Thank you to the FHFA and Fannie and Freddie for allowing all of us the opportunity to address the issues and the Duty to Serve, especially for the manufactured housing market. Both Fannie Mae and Freddie Mac have made real progress in this market. As advocates, we recognize the significant increase in manufactured housing real estate loans as part of the current three-year plans.

In addition, the purchase of community loan with strong tenant protections, especially in states with notoriously anti-tenant laws and regulations, was very well considered. That said, there remain concerns that homeowners, advocates, developers and other of our partners have (unintelligible) to design their next three-year plan. Manufactured housing community lending – let me start with that.

New and varied sources of capital for manufactured housing community preservation are needed, as communicated by previous speakers, as private equity firms, hedge funds and other investor vehicles flood the manufactured housing community market with cash, inflating the sales prices in certain markets, which has resulted in lot rent increases that in some cases are without operational or market justification.

One challenge in the manufactured housing community market is that GSE loan to value limits for MHC lending (unintelligible) products. As others will later state, communities that need preservation often require loan to value ratios at (unintelligible) percent for a number of reasons, including, in many cases community infrastructure upgrades to address new standards and/or years of previous neglect by a previous owner. FHFA needs to work with Fannie and Freddie to develop new tools to meet these needs.

One area that must be revisited is the FHFA's error in its denial of Fannie Mae’s request to invest in community development financial institutions. It clearly does not reflect the language in the Housing and Economic Recovery Act of 2008, which in a paragraph titled Evaluation, Reporting, and Compliance, the section on evaluation notes that the Enterprises’ Duty to Serve progress will be measured, in part, by “the amount of investments and grants in projects which assist in meeting the needs of such underserved markets.”

This, I believe, permits explicitly investments in CDFIs. CDFIs (unintelligible) capital. The Network for Oregon Affordable Housing, NeighborWorks Montana, and many others in the I’M HOME network are fundamental to the preservation and conversion of manufactured housing communities to resident or nonprofit ownership. GSE investment in these low-risk mission-driven lenders is paramount to community purchases to secure financing, especially as the GSEs have struggled to fund community loans (unintelligible) 90 percent loan to value threshold.

Finally, contrary to some manufactured housing industry voices, nonprofit and resident-owned communities are better for residents. It's clearly true. As measured by lot rents, resale prices of homes, and overall tenant protections, the Enterprises should be committed and encouraged to continue to support these community models as the letter and the spirit of HERA.

Single-family finance lending. As I noted, the Enterprises have made great progress in (unintelligible) mortgage lending, which now offers manufactured homebuyers more options to finance their purchases. We are disappointed that some of the new real estate product offerings have struggled to get traction in the marketplace. And there are many reasons for this. And we believe that the GSEs have worked hard (unintelligible) with lenders in the industry to advance these products, and I fully expect progress in the coming years.

It is unfortunate, however, that some industry players have actively worked to undercut an uptake of these loan products, which at its core hurts the future of American homeownership. These new home products will support homeownership across the country, and with energy-efficient homes, better quality homes, can broaden the footprint of manufactured housing in the American homeownership marketplace.

The Enterprises should also work with partners across the country, such as nonprofit developers and homebuyer educators, to ensure that as many borrowers as possible are informed of the option for mortgage loans, rather than chattel products. For many reasons, including longstanding industry practice, many buyers of land use chattel financing to purchase the home, even though mortgages are available, and that the borrower is eligible for a mortgage proper.

As (unintelligible) pointed out at our annual innovation in manufactured housing conference last month, no fewer than 11 state housing finance agencies have restarted or launched manufactured housing lending products, including mortgage loans. It is incumbent on the Enterprises to leverage this new enthusiasm into an expansion (unintelligible) the market. Both GSEs have good HFA products, which should be fully optimized for the manufactured housing market. Such a plan should be detailed in the next three-year plans.

The Fannie Mae New Hampshire manufactured housing community initiative is a unique (unintelligible) program that can be expanded (unintelligible) and you heard about that more from another speaker. And it could be a model for other states. That said, it is vital for the Enterprises to (unintelligible) advocacy for manufactured housing titled as real property. I'd encourage the adoption of the Uniform Manufactured Housing Act as proposed by the Uniform Conference of Commissioners on Uniform State Laws. We continue to work with state partners and legislators across the country to make this a reality. And we (unintelligible).

A great majority of manufactured home loans are chattel, in communities and on private lands. To fully serve the market, the Enterprises need personal property loan purchases. While clearly HERA gives the FHFA director the authority to deny the

Enterprises' access to the chattel market, a rejection of (unintelligible) safe home loan products would be a mistake. CDFIs and other lenders have demonstrated that these loans can be done safely and perform well, even to borrowers with low credit scores and very low incomes.

I'm aware of the progress that the GSEs have made in chattel loan development. It appeared to me that the chattel -- that the plans to purchase these (unintelligible) are just one part of the puzzle. It is also disappointing that leading industry lenders have refused to sell or share chattel loan data with the Enterprises in any meaningful way. That said, that function (unintelligible) by industry (unintelligible) desperately need to (unintelligible) competition in the lending market.

Finally, it is our understanding that the FHFA is considering paring down the Duty to Serve process and infrastructure such as planning, approved regulatory activities, and frequent evaluation. We believe that FHFA must continue to robustly support a transparent evaluation process, offer a great deal of public private interaction like this event and other opportunities for the public and stakeholders (unintelligible). Thank you very much.

DAVID SANCHEZ: Thank you Doug. Up next is Valerie Moody with MH Action and Michael Sloss you're on deck.

VALERIE MOODY: Hi my name is Valerie Moody. I'm Vice President of Utah Coalition of Manufactured Homeowners, and a resident at (unintelligible) the residents association in

Ridgewood Estates manufactured home community in Layton, Utah. And I'm a member of MH Action, and we believe that everyone should have an affordable home in a healthy community and that the federal government plays a critical role in ensuring that (unintelligible). We are here on behalf of the people most impacted by your decisions to ask you to back low-income seniors and families for the affordability of manufactured home communities, not predatory investors.

So, our city, Layton, is the largest city in Davis County. We're home to the largest employer in Davis County, Hill Air Force Base. We're actually a half mile away from Hill Air Force Base. The average new home in our community and the city is $400,000. Average income is $70,000. Our community is really one of the handful of the last affordable housing in our community. It's a wonderful place to live. We have a diverse population of residents. We have low-income, business owners, we have middle class, we have families, single-parent families, immigrants, elderly, disabled, veterans, you name it we probably have it in our community. The best part is everybody in our community, we all look out for each other.

So, when RV Horizons bought our community in 2017, there were (unintelligible). They told us that they were going to come in and maintain the community. They would make improvements. And none of that has happened. They increased lot rent by over ten percent and have closed our amenities instead of repairing them. They refused to make an office in the clubhouse handicap accessible. So, we're losing our community members who have lived there for 30 years. Every week someone is moving out. If the lot rent doesn't push them out, it’s the lack of repairs made to anything. They don’t find that they're getting a good return but they're paying -- I myself would like to move, but I fear for my community, If I move, who is going to speak out for them?

Last year, RV Horizons -- last winter, their failure to maintain our infrastructure left raw sewage flowing in our streets for four days. It took numerous complaints to city county officials before RV Horizons did anything to repair the problem. Several weeks after that, we had raw sewage flowing again in our community and the only reason why RV Horizons made permanent repairs is because the county told them that they had to have a permanent solution, that they were tired of residents complaining about the raw sewage.

When myself and others spoke out, RV Horizons sued us. They sued us for defamation and tried to evict us from our homes, both of which are illegal under Utah law but they did it anyway. Our pro bono lawyer cost over $50,000, had she had to give us those charges. RV Horizons hired two lawyers. We can estimate what their cost would have been. So instead of -- they tell everyone they don't have the money to fix these communities, that the infrastructure is so ancient, but they have the money to sue their own residents instead of putting that money into a $10,000 handicap ramp so people can get down to the office.

Our communities are suffering under these predatory corporate owners, distant corporations that treat own homes and communities like a cash (unintelligible). We are suffering with rent hikes, reduced maintenance, and (unintelligible) treatment and FHFA, Fannie and Freddie are fueling predatory business models. We want to own our community or partner with nonprofits and local governments to buy our communities, so that we can afford our homes and live in dignity and peace.

The Duty to Serve plans continue to just study and assess nontraditional owners, promising to help maybe a handful of communities over the next few years. Meanwhile, we are suffering. And much to our dismay, while you're making promises to support pilot projects for resident owner cooperatives and nonprofit and government owners, Fannie and Freddie have backed millions of dollars in loans to support portfolio buyouts of manufactured home communities by corporate investors. These cheap loans are going to private equity groups like TPG Capital, which bought up half of RV Horizons’ portfolio. We are here on behalf of our sisters and brothers in those communities who are suffering just like us. They are being gouged for rent, the owners are failing to maintain our communities, and seniors and low-income families are being pushed to homelessness. And I had a senior who told me that he had nowhere to go and that he maybe thought he would kill himself instead of having to deal with the raising lot rents and (unintelligible) that they're putting us through.

With their predatory business model of rent and fee hikes, they are driving the cost of communities so high that even when we have an opportunity to purchase our communities, we can't compete with the prices the predatory companies can pay. Facilitating lending to these companies is directly at odds with Fannie and Freddie's obligations to serve manufactured housing and affordable housing and is leaving our communities (unintelligible).

We ask that (unintelligible) in order to stop destroying our affordable communities and instead serve low-income families and seniors, the heads of FHFA, Fannie and Freddie visit with a Haven Park Capital-owned community and see the impacts of the loans and the solutions -- those solutions manufactured home residents seek. FHFA, Fannie and Freddie must ensure that all loans, those moving forward and those that you've already provided, have restrictions on rent increases and include maintenance requirements and are assessed for racial equity. And if loans don't meet basic affordable and fair lending obligations you must not back any manufactured home community acquisition lending. Thank you.

DAVID SANCHEZ: Thank you. Next up we have Michael Sloss, Managing Director of ROC USA Capital. And on deck is Jennifer Salazar.

MICHAEL SLOSS: Good afternoon and thanks for the opportunity to be here to share our comments on the GSEs' Duty to Serve plans going forward. Excuse me. ROC USA is a national nonprofit social venture that is scaling limited equity cooperative ownership of land lease for manufactured home communities. We work through a national system of development services providers that are nonprofit and affiliated with us through our subsidiary ROC USA Network. I also manage the other subsidiary, ROC USA Capital, which is a national US Treasury Certified CDFI.

Our tenant affiliate nonprofits currently serve a total of 250 resident-owned communities, or ROCs as we call them, in 17 states with onsite and regional training, technical assistance and development services. That's from initial identification of an opportunity to purchase when a community is for sale through the purchase process and the many years of home purchase, ownership and management. These 250 ROCs are home to nearly 17,000 homeowners, the vast majority of whom are very low- and low-income.

As I said, I manage ROC USA Capital. CDFIs consistently finance ROCs that are assisted by one of the affiliated development services providers. After 11 years of operation, ROC USA Capital has financed over $240 million of acquisition and improvement loans, to 87 ROC borrowers in 15 states. Performance has been excellent. The oldest ROC is 36 years old and the two newest ones are just six days old, closed last week right before the holiday.

In 2019, ROC USA Network supported 24 new ROC communities, representing a 50 percent growth over last year -- over the last four years. The success of ROCs has attracted more community operators interested in selling to the homeowners, more eager homeowners and more resources.

We have two primary comments on the GSEs' updated Duty to Serve plans. First on community finance. This is manufactured home communities owned by governmental entities, nonprofits or residents, item C in the Fannie Mae plan and activity 3 for Freddie Mac.

First, both GSEs have prioritized financing ROCs and that's commendable. Helping homeowners gain ownership of the land beneath their house makes basic sense since most homeowners never question who owns the land which is part and parcel of owning most detached (unintelligible). Both GSEs' updates reflect the challenges of serving the ROC market. The evidence could not be clearer. Freddie Mac, which started financing MHCs in 2015, has purchased $2.8 billion in MHC loans but just $5.4 million in ROC loans. Fannie Mae's gap is wider. When it comes to accessing GSE loan products – the goal ought to be to level the playing field between investor and low-income coop buyers. Acquisition financing is front and center as a cost to compete with investors that have already accessed extremely efficient secondary market products.

First, the GSEs can immediately address the issues involved with allowing coops to assume existing commercial mortgage loans. This would help resident-owned purchasers avoid expensive defeasance costs that make some transactions unaffordable. Second, the challenges the GSEs face in financing acquisitions by ROCs is that the ROC model is most viable for low-income homeowners where there is 110 percent loan to value debt product. ROC USA Capital offers that. Otherwise, the homeowner members have to put up substantial equity in the form of large memberships and that doesn't work in low-income communities.

ROC USA Capital, other CDFIs in some states, as I said, do provide 110 percent loan to value financing. However, as Doug mentioned earlier, GSEs have securitization standards that do not permit securitized mortgage financing for 90 percent loan to value. And bringing such loans onto the balance sheets of the GSEs has its own issues. And affects scalability, of course.

We’ve worked closely with Fannie Mae and the National Cooperative Bank over the past 18 months to establish an acquisition loan product for limited equity coop communities that operate with training from ROC USA Network. Fannie Mae and Freddie Mac have tried, but the best result is a ninety percent LTV refinance product for communities that have already been owned at least three or four years. That will be useful in time, but it does nothing to help coops compete in the marketplace for new acquisitions today. Securitization standards do permit unsecured lending over 90 percent LTV; however, that is not scalable or workable for CDFIs like us that raise debt capital for relending from banks, insurance companies and foundations. Few if any lenders would lend to a CDFI to build a whole portfolio of large unsecured subordinate loans. It's simply not scalable that way.

So, loan-encumbered ROCs are stuck between a rock and a hard place, no pun intended. The GSEs can't purchase acquisition loans made to limited equity coop MHCs because of collateral loan to value ratios up to 110 percent. The only viable solution for both GSEs is contained in Fannie Mae's objective to, "establish pilot programs and investments in nonprofit organizations, CDFIs, small financial institutions or other entities that have a major focus on the land lease or MHC sector with nontraditional owners." We thoroughly object to the removal of all actions and goals related to this objective. The GSEs cannot sufficiently serve low-income ROCs directly and must be able to provide debt and equity to CDFIs to accomplish anything meaningful in this area. We urge the FHFA to reconsider its objections and balance sheet policies that inhibit the GSEs' ability to finance Treasury certified CDFIs to help build a scalable marketplace for low-income homeowners and loans.

Second, support of MH titled as real estate, MHCs with certain pad lease protections. So, the single-family side of the equation. With both chattel financing pilots and pad lease protections significantly hampered by market conditions, we have one fundamental question. Why would the GSEs not establish a standard lease for land lease communities that would provide residential mortgage lenders with the safety and security they need to make homeowning mortgages in these communities?

The GSEs' finance (unintelligible) on lease-hold land in other markets like Baltimore and Hawaii. And Fannie Mae finances manufactured homes in ROCs in New Hampshire that are titled as real estate. Both presumably are included in existing residential mortgage backed securities. Homes in land lease communities can be titled as real estate -- and more would if states were encouraged to adopt opt-in real estate titling as recommended by the Uniform Law Commission of 2012. Some community owner-operators (unintelligible) see the advantages of a rebranded land lease community that offers long-term fixed rate homeowning mortgage loans instead of higher cost chattel.

Freddie Mac supported homeowner mortgage lending in land lease communities in the mid 2000s but jettisoned this due to (unintelligible) challenges. Times have changed, and it's time to start anew. The chattel problem has now persisted for almost 20 years and there's growing consternation about community closures and excessive rent increases, as you've heard. Land leases and homeowning mortgages would solve both and help us recover from the increasingly bad press and legislative blowback that naturally follow. It won't impact every MHC and homeowner, but it would bring real pad lease protections to a lot more homeowners and offer community owner operators and the industry many benefits as well.

JIM GRAY: Mike you're going to have to wind up.

MICHAEL SLOSS: Okay I'm at the end. We urge FHFA and the GSEs to undertake their plans to make home owning mortgage products available in land lease communities. Imagine the impact on VA, USDA, and others who might follow. This opportunity is at your fingertips, we urge you to advance it vigorously. Thank you very much for the opportunity to comment, and we will provide our comments in writing as well.

DAVID SANCHEZ: Thank you. Thanks Michael, up next is Jennifer Salazar, and on deck is Holly Hook.

JENNIFER SALAZAR: Good afternoon, my name is Jennifer Salazar, and I'm a resident of North Lamar Mobile Home Park located in Austin, Texas. I am here today because I believe that everyone has a human right to a home that is safe, healthy and affordable. I have lived in North Lamar Mobile Home Park for 17 years. My siblings and myself grew up in this community. Like myself, the majority of the folks who live in the community have lived there for quite some time, with some of the elderly having lived there for 20 plus years. About 99 percent of the families in my community are Hispanic and the majority are of low income status.

When my family moved into North Lamar Mobile Homes back in 2003, it was because it was affordable for a household of 5 and it was an opportunity for my parents to own a house of their own. When we first came to this park my parents had to pay $250 a month for the rent. There was a time when rent was reasonable and management were expected to take care of my community. This all changed when RV Horizons purchased the North Lamar Mobile Home Park around 2014. Soon after the purchase (unintelligible), rents increased and the standards in the park worsened. Currently the base pay for the rent is $585. This does not include charges for water, sewage and trash. This means that a household could pay up to $900 a month.

The largest -- oh I'm sorry, I skipped a page. This is outrageous, as the majority of tenants own their mobile homes and we are only paying for the land that our mobile home is on. This does not--it does not make sense that the rent continues to increase because we have not seen any improvements done to the park. Why are we as tenants paying so much in rent, as time goes by, if the park looks exactly like it did 17 years ago?

Based on all of the injustices that the community was facing, and with management and the owners continuing not to care about conditions, we had to search for (unintelligible) the problems we were facing. We were fortunate enough to be connected to organizations like MH Action, BASTA, and council representatives on the board of BASTA who cared enough to listen to our issues and (unintelligible) on the journey to fight for the rights that we deserve as tenants.

Some of the issues that the property experienced have been ongoing for years. We’ve asked for the trees that were falling on homes to be cut and only a few were cut. We wanted the street to be repaved, but it was just painted. We asked for the fencing to be put up around the property for safety reasons, and it was started but never finished. We pressured for street lighting to be put in place, and it was done for a few times but is currently not working again.

In August of this year, the living situation at my community became totally unacceptable. The property management decided to start several beautification projects like building a new (unintelligible). The workers who were installing the fences began to drill holes which punctured our pipelines, (unintelligible) electric, gas and water outages. Most families had to endure three weeks without gas services. This affected their ability to cook their meals, shower, (unintelligible) and maintain (unintelligible). As I mentioned, my community has a number of elderly people and children and this put their safety and health at risk.

To make matters worse, the dumpster (unintelligible) at capacity and prevented the garbage collection company from being able to pick up the trash. A week and a half went by without trash getting picked up. This made our trash (unintelligible) problems even worse. Residents had already been asking management to increase the number of dumpsters on the property back to four. At one point, the property had four dumpsters for (unintelligible). (Unintelligible) and currently management decided that downsizing to two dumpsters would be a good idea and we have been dealing with the overflowing trash ever since.

Due to the puncturing of several water lines we also had multiple water outages that could last up to six to eight hours. The management was rarely at the leasing office (unintelligible) projects were taking place. When we tried to reach out to them for information, they would not answer calls or messages. We never got any reassurance from management that things were being worked on. After no signs of things getting better, the community was forced to organize a tour around the property and invite the press in order to get the attention of management (unintelligible) from BASTA organizers. It was called (unintelligible) and we took everyone around to see various health and safety issues that were being ignored by management. As a result of the media coverage, the management finally started having regular office hours and last month management had (unintelligible) the community.

I know that the North Lamar Mobile Home Park is not the only one facing these issues. This is happening to others all across the country. Unfortunately, the majority of families in the mobile home parks do not have another choice. They own their mobile home and although there is a common misconception that (unintelligible) can pick up and move a trailer, most of these homes are not capable of withstanding a move. Older homes are often (unintelligible). The moving process is tough, and even on homes in excellent condition. Even if the mobile home could survive the move, moving a mobile home is not cheap and most families cannot afford that (unintelligible).

For all of the reasons I mentioned, my community has been wanting to cooperatively own our community. For almost five years now, we have been working towards this goal with ROC USA. The process has been long and frustrating, and though we are closer to achieving our goal, it is still not a reality. I am here to urge Fannie and Freddie to start making loans available to communities like mine. If Fannie and Freddie worked (unintelligible) with nontraditional owners and put the power back in the tenants' hands, all of these (unintelligible). Our quality of life could have improved a long time ago.

As my story shows, owners like RV Horizons extract rent and fees from residents but do not put the money back in our communities. This rent increment (unintelligible) enriches them more. It is outrageous that Fannie and Freddie (unintelligible) companies that operate like RV Horizons, including half of RV Horizons' portfolio who now operate under TPG Capital. Fannie and Freddie must (unintelligible) to ensure reasonable and affordable rent increases as well as community maintenance to protect residents from (unintelligible). Me and my community would like to invite you to come to North Lamar Mobile Home and see for yourself what happens (unintelligible) predatory corporate owners are not held accountable. Thank you.

DAVID SANCHEZ: Thanks Jennifer. Up next is Holly Hook with MH Action and on deck is Paul Baretto.

HOLLY HOOK: Well first I would like to thank you for having me today and listening to what we have to say. My name is Holly Hook and I'm a resident in Swartz Creek Estates in Swartz Creek, Michigan. I'm a member of MH Action. We believe everyone should have a safe and affordable community, and we hope you can work with us towards ensuring everybody this right.

MH Action and I are here to represent the people most affected by your decisions. We're here to ask you to back senior citizens, disabled residents and low-income families, many of whom live in manufactured home communities. Right now, predatory investors are threatening this human right (unintelligible).

I bought my manufactured home in Swartz Creek Estates because I wanted an affordable place to live, which would let me pursue the life of a fiction writer. After seven years of working towards my goals, I paid off my house, budgeted my (unintelligible) lot rent payment. I had the life I wanted. My neighbors were mostly low-income seniors, most living on disability and planning to spend their retirement there. Many had lived there for 15 or 20 years. We had a quiet neighborhood that we loved. No one knew the ground under our feet was up for sale.

In July of 2018, a notice appeared on our doors. Haven Park, a company I had never heard of, was the new owner. Also in the letter was a $65 rent increase, due to start in just 30 days and a vague mention of improvements to the park. That was a 22 percent rent increase. I needed answers so I researched Haven Park. I found just the website for investors (unintelligible) and I quote, "creating stable long-term income through a disciplined approach to acquiring outstanding manufactured home communities." They had no information for residents.

But was such a rent increase legal? Yes, they could charge as much as they want. And many of us owned our homes. The cost to move our houses could be five figures, which (unintelligible) us trapped. Haven Park even touched on that topic on the website by saying, and I quote again, "tenant turnover is minimal since it is difficult and very expensive for tenants to move their homes. As a result, operating cashflow is among the highest in the real estate class." And then no improvements came. November arrived. Now we were going to pay a fraction of (unintelligible) along with our rents. My total rent by then had gone up by close to 30 percent.

Elderly residents were also falsely accused of being late on their rent. They got charged late fees over and over again. The same thing happened to my disabled neighbors. This had never happened before. And then in late June of 2019, we were told we all now had to cover our sewer charges, when our rent covered that before. We also got hit with a monthly admin fee just to get our bills. And then two days after that, we get another letter, another rent increase. This time an additional 7 percent. In one year our total rent rose 40 percent. And every day we hear more. Most of us can't leave.

I'd gone from an independent human being to feeling like livestock. It was even worse for the elderly and the disabled, some living on $800 per month. They'd moved there because it was what they could afford. Now Haven Park takes most of their income every month. Some fear surrendering their homes after decades of living in them. Folks who sell will face a loss because as the lot rent rises, the home's value drops. Others fear homelessness. We still see no improvements.

Since this spring, Haven Park states (unintelligible) affordable housing, but my community and the 13 others in Michigan (unintelligible). Their business model involves buying all the communities in one area (unintelligible) the competition, which drives land prices higher and higher.

Recently, we learned that Fannie Mae and Freddie Mac have given billions in financing for harsh investors to buy up portfolios of manufactured home communities. This includes Haven Park. Instead of protecting manufactured housing, the companies are gouging for rent (unintelligible) harassing the vulnerable. All of this is happening in Duty to Serve plans (unintelligible) communities over the next several years. We want to pursue resident ownership of our own community and work with nonprofits to buy our own community. This will ensure we can continue to afford living in our homes safely.

We feel financing of companies like Haven Park is directly against Fannie and Freddie’s goal to protect affordable housing. To protect this sector, Fannie and Freddie must require that these loans (unintelligible) owners to provide long-term leases and reasonable rent increases tied to the Consumer Price Index, which is three percent per year. Anything higher should be justified. There should also be requirements for community safety and maintenance.

So, we are asking the leadership of FHFA, Fannie and Freddie to assist our communities and (unintelligible). We also invite you to learn about the solutions manufactured home residents (unintelligible). We also ask that you ensure all loans, current and future, to obligate owners to make a reasonable rent increase and to justify anything higher than the Consumer Price Index. And most of all, we ask for you to stop backing loans that fail to meet these requirements.

REBECCA COHEN: Next up is Paul Baretto, Director of Manufactured Housing Initiatives. And Patricia Kanzler, you're on deck.

PAUL BARETTO: So first I'd like to say thank you to the FHFA, Fannie Mae and Freddie Mac (unintelligible). My name is Paul Baretto, and I've also been a consultant for over 19 years working with Fannie Mae. We (unintelligible) to their Duty to Serve efforts. I would like to first recognize the effort made by both Fannie Mae and Freddie Mac through their Duty to Serve plans despite (unintelligible) conservatorship but also (unintelligible). So, I'd like to share my thoughts on simply how to expand what's currently being done for the next set of Duty to Serve plans.

So, I'll talk specifically about single-family lending, just because that's my area of expertise. So, manufactured housing titled as real estate. This is where the GSEs can really help the industry because they can scale what they do very efficiently today, which is put loans into a 30-year fixed rate mortgage. That is what (unintelligible) secured to create additional liquidity for acquiring loans.

So, the areas of focus that I think are really important are (unintelligible). Do the things that Fannie Mae and Freddie Mac have done in the past, just do more of it. For example, single-family lending. Manufactured housing in cooperative structures has already been done. In areas of affordable housing, especially in California, they (unintelligible) it and are in need of refinancing opportunities. Areas of California such as Paradise that have been devastated by (unintelligible) fires could benefit from this type of financing.

Another area that’s come up through the Grounded Solutions is community land trusts. Community land trusts are a little bit different than long-term ground leases because they come with a certain level of stewardship, where there’s a first right of refusal that’s a deed resale restriction and provides for the land trust to step in and (unintelligible). There’s an opportunity to use manufactured housing instead of site-built (unintelligible) and greater efficiency.

Another area that was mentioned before also is single-wide manufactured housing. It’s time to mainstream that. It’s (unintelligible) for the area. There’s no need to have it in a planned unit development, because that excludes rural areas. So, where it’s appropriate, allow single-family -- or single-wide manufactured housing financing. And also open it up to allow more of these home to be included in affordable (unintelligible) restrictions as well as resale restrictions.

Another area to leverage the momentum that’s been created is the (unintelligible) for the Choice Home and the MH Advantage products. There's no reason (unintelligible) that manufacturers can't go back to the recently historic manufactured home sales. There are examples (unintelligible) for each in areas of (unintelligible). That would be an immense opportunity to change the paradigm in manufactured housing.

Another area, that could help not only the mainstream but also the lenders that participate in selling loans to the Enterprises, is improving the technology and tools that are available to lenders and internally at both organizations. An example of this is the use of (unintelligible), an automated emerging technology on real estate (unintelligible) site-built homes can provide a lot more capabilities. The short, I guess the shortfall is that that does not include manufactured housing. It may be a heavy lift but in the long run will create even greater efficiencies (unintelligible), for tracking the performance of these types of homes in areas of opportunity.

Now within the (unintelligible) is on personal property. We can talk about chattel (unintelligible). If the GSEs are unable to execute on the planned (unintelligible) pilots then I would recommend that they leverage their expertise immediately (unintelligible). They've demonstrated the ability to move towards a single security and build out a platform (unintelligible) for common securitization. And if you can do something like that (unintelligible) support, then I would recommend you work with the industry to help the players who can build the market, build a similar platform for the GSEs to (unintelligible) efficiency they've already built. If an issue is there isn't desire to allow the GSEs to provide liquidity, then a facility (unintelligible) solution would allow both GSEs to be part of the solution without being the solution.

Finally, it's important that there's continued collaboration. It's critical because the importance of the GSEs in the market is the fact that they are so large and (unintelligible) a critical space in the housing market. So, I would suggest they continue helping industry efforts by providing data, white papers, and resources to help the narrative to help support responsible zoning, building codes and affordable housing inclusion. This will facilitate the creation of more manufactured housing subdivision communities in areas where there is (unintelligible).

The second point is to continue providing resources to support training, particularly to appraisers to increase the population of subject matter experts, which can help address the bias we face today within manufactured housing. I also recommend that there's continued work with the industry to support consumer awareness. Homebuyer education and counseling (unintelligible) potential (unintelligible) manufactured housing homeowners for their own success. I believe the shared goal of this industry is (unintelligible) which is a necessary component to address the affordable housing shortage that exists in America today. Thank you.

REBECCA COHEN: Our next speaker is Patricia Kanzler with MH Action and LA Tony Kovach, you're on deck.

PATRICIA KANZLER: Hi, I'm Pat and one of the things I do is I'm an artist because if I didn't (unintelligible) training. (Unintelligible) elderly and I'm living in a cardboard box. I'm [inaudible] and I've been an artist for over 35 years. My parents died when I was 18 and with the help of Aid for Dependent Children I put myself through college. Now I'm putting my son through college although he still owes $100,000 in loans. My pension has been whittled down and I cannot retire on Social Security.

It -- what I thought I'd get in Social Security, I have to pay 50 percent of that for my rent. So right now I'm working part-time. I'm a cancer survivor, Stage 3 inflammatory breast cancer. And I'm tired. I'll be working until I can no longer hold my head up, because that's the way things are (unintelligible). And I'm going to bring that picture over to you guys, because I want you to see what your parents, what your aunts and uncles are going to be. They're going to be living in a cardboard box. And so are you if you can't get health care and if you get sick. Because it just takes that one time and you're bankrupt.

I want to tell you about my patients. I used to be a burn nurse, an ICU nurse, and now I work in palliative care. Which is very fulfilling because these people are either homeless or they have no healthcare. And I really like the fact that I'm helping them. One of them, she lives in a closet. She's got cancer. She has (unintelligible) and she doesn't get enough to (unintelligible) home. Right now (unintelligible) she's working under the table doing something called seeding, which is with marijuana, something I don't really know what's going on. And it may sound funny but it's sad. There's others that I've taken care of that lived in a mobile (unintelligible), in an RV with rats (unintelligible) dead rat bodies around and these people have (unintelligible) cancer. It's very sad.

And you know, I could go on about things, but when I've been listening to my colleagues and (unintelligible) what they say, what it really looks like to me is that you don't care who you make loans to as long as you make money. You've got to start using some morals. You have to have a moral compass if you're going to lend to people, or if you're going to lend to the kind of lenders that took over those parks. I'm sorry, but I get upset at stuff like that.

So I'm just going to say I think the solutions for this are loans for manufactured housing -- they should have limits on rent increases out of a moral -- I think rent increases for the elderly should be limited to the COLA of their Social Security. Allow mobile home park residents to get loans so they own their own land in a cooperative, (unintelligible) partner with nonprofits. And a lot of nonprofits I know, they're not really nonprofits. So I think you should do some investigative work also.

Give us the dignity and peace of mind which comes with the fact that we are controlling this aspect of our life. You know we -- there are people who are homeless and they work. They have morals themselves. And they work. And they're actually good members of society and we throw them away. It's so sad.

Fannie and Freddie, it's about time you help the common people. They're looking for a profit. It says Duty to Serve, I don't see that here. I think you need to make a profit. And it's (unintelligible), okay? I see a lot of people in this world, and I don't see very much going on here. This is what they're going to look like, all right. This is what they're going to look like. This is what your family is going to look like. They're going to be living in a cardboard box. Thank you.

REBECCA COHEN: And our final speaker for the manufactured housing market is LA Tony Kovach.

TONY KOVACH: That's Kovach, by the way. The Duty to Serve rural, underserved, and manufactured housing markets was enacted as part of the Housing and Economic Recovery Act, HERA, of 2008. The law passed by a widely bipartisan margin. The FHFA website says the Duty to Serve requires Fannie Mae and Freddie Mac, the Enterprises, to facilitate a secondary market for mortgages on housing for very low-, low- and moderate-income families in manufactured housing.

Over a decade later, there is little to no discernable support for the vast majority of HUD-code manufactured homeowners, those seeking affordable housing, or the retailers and others who sell manufactured homes. Data supplied by the government sponsored enterprises of Fannie and Freddie prove that point.

As a trade journalist who publishes the largest and most read professional media in our industry, Manufactured Home Pro News dot com, and as someone who is also a multiple award-winner in history and manufactured housing, those opening facts beg several questions. So, let’s begin with statements instead. No person or organization is supposed to be above the law. We support -- we’ve spoken with lenders that entered the manufactured home market after DTS was passed. They’re successfully making sustainable loans. We’ve spoken with lenders who made manufactured home loans, including personal property or chattel loans, sustainably for a decade or more. Given federal law and that others are making such loans successfully, why has FHFA tolerated the obvious foot-dragging by Fannie and Freddie to fully enforce and comply with federal law?

Years of research and reports can be boiled down to this claim. Good federal laws are on the books to support manufactured housing on paper but are going under-enforced and/or are being ignored. DTS is one of them. A decade after HERA and DTS passed, where is that secondary market?

Interested parties should look at various letters submitted to FHFA about the current plans and proposed modifications requested by the Enterprises. The Manufactured Housing Institute letter by EVP and CEO-elect Lesli Gooch made some interesting and accurate statements, but also pivots to items that are, arguably, paltering. Instead of Gooch making a case for robust support of all HUD-code manufactured homes, which is what one might reasonably expect of the trade association claiming to represent all segments of manufactured housing. Instead MHI supports their so-called new class of homes recently dubbed cross-mod homes.

Why didn't MHI pursue robust lending for all manufactured homes instead of only for select cross-mod homes, backed by Clayton Homes, Skyline-Champion, Cavco Industries and some other MHI member producers? How did Fannie and Freddie magically establish a special program with specs for those cross-mod homes, reportedly developed in closed door meetings with MHI? We haven't seen the minutes of those meetings. Why haven't they been released?

As MHI member-producers pointed out to MH Pro News, there's long been lending on modular housing on par with conventional housing. It was illogical and insulting, say those sources, to create a so-called new class of manufactured housing when some of those same factories already build manufactured – modular-coded homes.

We have no problem with what products builders want to produce that comply with regulations. But we do have a problem with special lending extended to favorite MHI firms by the GSEs with the FHFA's consent. HUD-code builders have always had the ability to build manufactured homes to minimum federal standards which provide durable, safe housing with consumer protections, affordable for people with lower incomes, as well as more residential style housing that has more features at a higher cost. There was therefore no logical reason to create a new class that blurs the line between modular and HUD-code, including the name of the product. I've personally spoken with people at the GSEs and/or who perform contract work for the Enterprises. Some said that Freddie Mac Choice and MH Advantage by Fannie Mae plans are not how such lending programs are traditionally developed. Of course not. Do the GSEs tell site-builders how to build their housing units?

Richard Genz did research for the Fannie Mae Foundation published some two decades ago. He made the case that manufactured homes were unfairly stigmatized. In 2011, an Obama Administration-era HUD PD&R documented manufactured homes appreciate side-by-side with conventional housing. So why implement a scheme that's splitting higher cost new-class HUD-code homes MHI and the GSEs are pushing? Doesn't that de facto stigmatize the vast majority of millions of existing manufactured homes? This ploy purportedly fuels stigma, arguably benefiting lenders like 21st Mortgage or Vanderbilt Mortgage and Finance, owned by Berkshire Hathaway. MHI and the GSEs vaguely admit this and their cross-mod homes is off to a poor start in the marketplace. New HUD-code production is also down year-over-year. Coincidence?

Given that FHFA and the National Association of Realtors in 2018 both reported that manufactured homes appreciate, but lack of logic for plans developed by MHI, Fannie and Freddie behind closed doors is stunning. The Urban Institute said in 2018 that the lack of lending likely keeps existing manufactured homes from appreciating more than they already do. Rephrased, the status quo punishes millions who currently own a manufactured home, who could have higher equity and retail values if DTS were fully enforced. That's billions of collectively lost wealth for manufactured homeowners. When more realize that, there are voters among those 22 million Americans and 111 million renters.

We've published an online version of this comments letter on the masthead blog on MH Pro News dot com. It includes illustrations, videos, links to comments, plus historic information by others and us. We believe evidence and reason suggest that one or more at FHFA actively or tacitly allowed the law to be foiled in a fashion benefiting a few at high cost to the many. That implies incompetence, collusion, conflicts of interest and/or corruption. Therefore, the FHFA has no legal or logical choice but to reject currently promoted plans and call upon Fannie and Freddie to immediately follow the DTS law no matter whose deep pockets that may upset. The FHFA and Congress should independently investigate how is it possible that a decade after this good DTS law passed, that it's still thwarted from providing affordable lending to potentially millions of

Americans during an affordable housing crisis. The status quo is a scandalous disgrace. Thank you.

JIM GRAY: That concludes the manufactured housing panel. So we will now take a ten-minute break -- a quick ten-minute break. We'll resume at 3:25 p.m., and then we'll do the rural and the remaining speakers. Thank you.

-- BREAK --

JIM GRAY: Okay we're ready for our final group of speakers. And Tom Collishaw from Self-Help Enterprises in California is our lead-off speaker, here he comes. And then David Lipsetz from Housing Assistance Council, if you would move towards the front please. Thank you.

TOM COLLISHAW: Good afternoon. Thanks so much for the opportunity to comment today. I am the President and CEO of Self-Help Enterprises, we're a nonprofit housing and community development organization working in 8 counties in the San Joaquin Valley in California since 1965. Our mission is to work together with low-income people to build and sustain healthy homes and communities. Towards this end, we have assisted over 6,300 low-income families to build their own homes through our mutual self-help housing program. We performed substantial housing preservation efforts on another 6,500 single-family homes. And we've developed or purchased over 1,800 units of permanently affordable rental housing. We've also worked in over 150 disadvantaged rural communities to help them address clean water and wastewater needs.

Our needs coincide with the goals of the Duty to Serve efforts of the GSEs. Our specific interests relate to our (unintelligible) on the ground in the San Joaquin Valley. It is imperative that we recognize the differences in various rural regions of the country. For instance, while we have not experienced difficulty attracting Low-Income Housing Tax Credit investments like our peers in the interior states, we have the challenge of relatively high costs of development that are not significantly different than our peers in the coastal areas of our state.

We are interested primarily in four areas of the Duty to Serve efforts. First, is equity investments through the Low-Income Housing Tax Credit program. Second, is preservation in rural rental properties, both USDA and naturally affordable. Third, is developing a single-family homeownership product through self-help housing. And fourth, is increasing flexible capital for rural developments.

First on equity investments. As I mentioned, other than a brief period in the development and passage of the 2017 tax law, we have generally been able to attract LIHTC investments for our properties. With dramatically increasing costs of construction, land and fees, however, we are focused increasingly on filling the gaps in our layered funding packages. All of this starts with pricing through the Low-Income Housing Tax Credits. In the past several rounds of credit awards, we have received offers that include DTS investments for the first time. They just haven't been competitive. At a GSE listening session I attended in late 2018, the message I heard is that "we don't want to lead the market." I'm here today to dare the GSEs to in fact lead the market by providing aggressive and competitive pricing for Low-Income Housing Tax Credits. That's the only way to fill the gaps we are currently seeing.

On the preservation issue, we are just closing our first 515 preservation deal, with a second one expected to close in the spring of 2020. To date, these purchases are only viable through the use of competitive 9 percent tax credits and with a new loan from USDA development, as well as continued rental assistance. As the 2020s unfold, we expect to acquire dozens of other properties as USDA creates a less opaque process to get these private properties to mission-driven nonprofits who will appropriately be capitalizing (unintelligible) in perpetuity. I'd encourage Fannie and Freddie to develop a purchase loan product that preserves the long-term feasibility of such preservation deals.

Third, on single-family, we pursue sustainable homeownership opportunities for low-income families in two general ways. First, we have a new construction model that combines a robust sweat equity component with a shared labor requirement. The best way to describe the mutual self-help housing program is that ten families start ten homes, and no one moves in until all of those homes have been completed.

This program largely depends on USDA grant (unintelligible). Because of the uncertainties of the annual appropriations process and also the limitations of USDA Rural Housing (unintelligible), many self-help organizations have sought to expand the program utilizing other mortgage funding. I know this partially because I'm also the President of the National Rural Self-Help Housing Association, so I'm aware of other issues in (unintelligible) mortgage product. After 18 months of attempting to create such a program with one of the GSEs, we have nothing to show for it. It seems to me that DTS should pursue these kinds of opportunities with vigor, rather than be hesitant to create new programs.

The second way we assist new homebuyers is through the administration of various downpayment assistance programs with public partners in small communities in rural counties. Here, we encourage the development of a shared entity product mentioned previously today.

The last thing I wanted to mention is increasing capital that is available to rural developers. As we speak, Self-Help Enterprises – that's my organization – has six affordable rental housing projects under construction or newly closed acquisitions representing 300 units of housing and over $80 million in financing. To sustain this level of activity, we need capital both for interim purchase and predevelopment fees and also cash flow during (unintelligible) construction periods. Because of this we encourage investment by the GSEs in CDFIs and also we'd like consideration of direct investment of that development capital to nonprofit developers like Self-Help Enterprises with strong balance sheets and demonstrated expertise. Such investments should be flexible, patient and preferably non-project specific. To summarize, we want you to be bold in LIHTC pricing, encourage new products at the GSEs and invest in developers like Self-Help Enterprises. Thank you very much.

DAVID SANCHEZ: Thank you Tom. Next up we have David Lipsetz with us from the Housing Assistance Council. After David's remarks, then we'll move directly to the portion of the program that covers topics not covered in previous discussions. Because the first speaker has cancelled, on deck is Jamal Habibi.

DAVID LIPSETZ: Hi, I'm David Lipsetz here on behalf of the Housing Assistance Council and board, a national network of rural organizations. Thank you to all of you on the stage, FHFA, Fannie and Freddie, for your commitment to work on Duty to Serve and for getting these underserved market plans developed and published. I would suggest that the folks we have interacted with who are in this room have done an amazing amount of work and I feel your strong commitment to getting these goals accomplished. The organizations within which we work are not always as easy to get us to an end goal but I do firmly believe that those individuals here share our goal of a more robust rural market with more access to credit and better options for many.

HAC is a national nonprofit. We help build homes, advise communities across rural America. We provide local and small town organizations with technical assistance, training and as a

CDFI, below-market financing. We also serve as rural America's information backbone. As many of you know, we have meetings (unintelligible) with private sector institutions coming to us for information and analysis to try to understand the rural markets from an entity that for 50 plus years has practiced that trade in a very independent, nonpartisan way to help analysis shape public policy.

Our bottom line here today is to convey, we do believe that there should be an entity working to enhance an even flow of credit across America. That should include all markets.

Secondly, that decades of disproportionately serving the credit needs of non-rural and well-served markets with trillions of dollars in government sponsored liquidity has contributed to a deep and growing divide in household wealth between many of those markets. This is exactly the reason Duty to Serve was created.

Thirdly, leaving the credit needs of underserved markets to the private market will doom them to fall even further behind, as private lenders have never shown a propensity to fully serve rural, affordable, and manufactured housing markets. And left to their own devices as organizations the GSEs will return to many of those principles. They too will continue to contribute to the growing divide in development in American households.

Next, after 50 years of experience doing this work we've shown through our work and we have seen in the works of many others -- it’s an honor to follow somebody like Tom Collishaw to the stage -- that even the most challenged rural communities can be creditworthy and ripe for investment provided that credit is available to locals that understand how to deploy it in their communities. As the Enterprises look to develop their next set of plans, obviously relationship-building in rural communities will remain critically important. It is the organizations that you see and are represented by the two of us and many others who can do that as an intermediary to rural communities for FHFA and the GSEs. But our analysis has shown that the more rural a community is, the less likely Fannie or Freddie is there to purchase a loan. We have shown in our (unintelligible) analysis from 2012 and 2015, the Enterprises' rural loan activity accounted for roughly 12 percent of their total purchases, less than the overall rate for all mortgages originated in rural areas.

And when we do that analysis, and we show, using the term rural, which we appreciate FHFA adopting the definition HAC had long worked on, that those rural loan purchases, while they do exist they're concentrated near suburban and urban areas. The hardest to serve markets have the least amount of activity. That seems like an obvious thing to say. We all understand that intuitively. Our analysis has shown that it's true.

So, we recommend that the Enterprises continue to proactively build trust and relationships with the lenders who are already there on the ground. Organizations like ours and others who are in rural communities have long track records of success, understand the creditworthiness of the individuals in those communities, and know how to take a fairly firm box of Enterprise lending and deploy it in a rural community.

To this end, HAC would encourage the FHFA and the Enterprises to redouble the efforts of spreading the word and educating practitioners about Duty to Serve. Despite being several years into underserved market plans, we have seen a strong sense that understanding and familiarity with what this can do for rural communities lags far behind. Unwinding decades of disproportionate activity assigned to certain geographies is not going to be unwound in a mere three years at the beginning of our Duty to Serve time. We need to redouble our efforts to do that kind of work and to continue to do outreach as well as (unintelligible).

So HAC would also encourage FHFA to adopt more transparent and robust public evaluation standards. As you know, we have a -- have a research entity at HAC that has provided all three of these organizations with lots of research and data. We continue to stand by in an independent nonpartisan way, to do that, to inform the policymakers who we regularly talk to on Capitol Hill with an evaluation and methods and data that can show us how to achieve more liquidity in these rural markets.

The Annual Housing Report released on October 30, 2019 included a section on Duty to Serve. While the report reiterated that both Enterprises met or exceeded their Duty to Serve purchase goals in 2018, it did not provide much additional detail as to the location or specifics of these purchases. To the point of the analysis that I referenced earlier from the Housing Assistance Council, that geography is essential to our findings.

Lastly, we're looking forward to the next set of three-year plans and the Enterprises would be well-served to consider building on the hard work by further expanding their purchase goals and rural (unintelligible) product offerings. More robust purchase goals could help inspire real buy-in from sometimes skeptical rural communities. And I know much of our conversation here today is about the structural issues in which the GSEs have been reaching these communities. Guess what? When you do get to the door, and you knock on it, there may be a skeptical person on the other side, not having seen your offerings there in many decades if ever. The positive results that we see of Duty to Serve for underserved markets can and do indicate that we could have ambitious goals for reaching those communities and establishing those offerings.

The next phase of Duty to Serve should also build upon the rural relationships the Enterprises have already fostered over the past few years. Especially local, regional and national nonprofits, tribes, and I can’t express to you strongly enough the role of CDFIs and rural-serving CDFIs in these markets. The need for capital in those organizations is extraordinary. The record at HAC over the last two years of deploying a significant amount of our capital and needing more bank capital only (unintelligible) the fact that there is lots of lending to be done in rural places. The demand is strong. (Unintelligible) by which we can pull that lending into the markets that are most important.

As I mentioned before, if there's no other point that I can leave you with today, that unraveling decades of disproportionate access to credit takes time. Three years is a significant period of time, but it is going to take far more of the kind of work we have accomplished, the more aggressive goals moving forward, if we really feel that we can move this market. Thanks for hosting these listening sessions, and we really appreciate the work you as individuals do in helping (unintelligible).

DAVID SANCHEZ: Thank you David. Next up we have Jamal Habibi, Senior Public Policy Associate for the Opportunity Finance Network. And Anne Canfield, you're up next.

JAMAL HABIBI: Great, and I echo what David said on his last point. I go to many conferences around DC and the country and definitely see several of you and your presence there is greatly appreciated, the responsiveness of FHFA and the Enterprises as well, so thank you.

Thanks for conducting these listening sessions to get public input on the Duty to Serve plan cycle for 2021 through 2023. My name is Jamal Habibi and I am a senior associate in public policy at Opportunity Finance Network, or OFN. OFN is a national network of community development financial institutions or CDFIs. As you're aware, CDFIs are mission driven community development banks, credit unions, loan funds and venture capital funds investing in opportunity to advance the lower income, low wealth and other under-resourced communities across America. CDFIs connect community to capital, it creates jobs for small businesses, builds affordable housing, and promotes safe borrowing and lending. With cumulative net charge-off rates of less than one percent, CDFIs lend prudently and productively in markets often overlooked by conventional financial institutions.

In the realm of housing, CDFIs are on the front lines of addressing the nation's affordable housing crisis. CDFIs offer capital, credit, and financial services to promote sustainable homeownership, (unintelligible) products and services, develop affordable multifamily and rental housing, and pioneer innovation in financing such markets as shared equity housing and manufactured housing. CDFIs have cumulatively developed or rehabilitated more than 1.5 million housing units and worked to create affordable housing in these three underserved markets of manufactured housing, affordable housing preservation and rural housing.

I'd like to start by highlighting the Enterprises for their efforts to partner with CDFIs and how CDFIs have been incorporated into the Duty to Serve plans, particularly in rural housing where the Enterprises have prioritized identifying innovative homeownership lending models and (unintelligible) challenges that can be addressed through technical assistance, and working with our native CDFI partners on potentially becoming a seller and providing homebuyer counseling, lender outreach and technical assistance to underserved communities.

Although these are positive steps in serving underserved communities, we believe the partnerships should continue to grow between CDFIs and the Enterprises. Many CDFIs still lack capacity to tap into capital markets supported by the housing finance system. In part because of this lack of access, CDFI housing lenders are experiencing liquidity challenges that greater inclusion in more mainstream (unintelligible) housing finance could help solve. The Enterprises have the potential to catalyze affordable housing development and address the needs of low-income communities by providing CDFIs with liquidity for their lending activities, as well as continuing to support training and technical assistance needed to build the capacity of lenders working in these difficult to serve markets.

We believe that enhancing partnerships throughout our industry can help the Enterprises meet their goals more efficiently. Over the past few decades, many different financial institutions have been developed to finance affordable housing and community development projects. These vehicles combine mission focus and business acumen to create affordable housing. The Enterprises can structure investments in these vehicles to be charter-compliant and more effectively (unintelligible) their resources. We recommend the Enterprises make equity or equity-like investments with CDFIs because this can create deeper impact much more quickly by providing capital to these mission driven partners in our industry to address critical affordable housing issues in underserved communities.

Regarding the 2021 through 2023 plans, strength and robustness. The strength of these plans is critical. And we encourage the Agency to ensure the GSEs' proposed plans adequately expand the distribution and availability of single-family and multifamily financing for people and families living in these three markets.

In the recently released requests for input on the proposed modifications to the 2018 through 2020 Duty to Serve plans, we see the Enterprises reduce or rescind its loan purchase targets in several areas, including in manufactured housing, the purchase or rehabilitation of distressed properties, USDA Section 515 program, and other areas as well. We recognize that there can be challenges, including the establishment of markets for such activities. But we hope that this is not an indication of the Enterprises' scaling back their commitment to serve these markets and purchase loans in these distressed communities.

I'd like to briefly highlight a few points on each of these underserved markets specifically. In manufactured housing, we hope the Enterprises continue to conduct outreach and invest in these communities. We recognize that due to the unique nature of some of these loans and the individualized underwriting criteria needed for each manufactured community, there are structural challenges that make it difficult to have access to the secondary market for these loans. But, a partner like Fannie

Mae and Freddie Mac can greatly stimulate the availability of capital in the manufactured housing market and can help increase liquidity for lenders and increase options for homeowners as well.

For affordable housing preservation, the preservation of affordable housing is an issue of increasing importance. There is increased demand for rental housing and stagnant wages, coupled with the expiration of affordability restrictions on subsidized properties and an aging affordable housing stock which has created a bleak outlook for housing affordability. The impact will most -- will be most severe in lower- to moderate-income communities.

CDFIs will be key partners in the affordable housing preservation market because of their ability to take small amounts of public funding and leverage it with private capital, increasing the available financing for preservation projects. We hope CDFIs can work with you to meet your goals for affordable housing preservation.

Finally, regarding rural housing, as discussed earlier, we are grateful for the partnerships between the GSEs and CDFIs in working to establish seller-servicer relationships and providing training and technical assistance in rural communities. We hope the Enterprises invest in and provide liquidity to CDFIs with the knowledge of these rural markets and communities. CDFIs have deep market expertise, relationships with borrowers, ability to provide training and technical assistance for rural developers and possess both financial and technical acumen to finance housing transactions affordably and responsibly.

CDFIs continues to play a critical role in the nation's housing finance system, and have proven to be prudent responsible lenders, even during the housing and economic crisis. Any robust housing finance system should support the work of CDFIs and the Enterprises should work with CDFIs to deliver solutions to some of the most difficult housing challenges in these under-resourced communities. We stand ready to work with you to ensure that the next iteration of the underserved market plans are robust and fulfill the statutory obligations of the Housing and Economic Recovery Act. Thanks very much.

DAVID SANCHEZ: Thanks Jamal. Next up we have Anne Canfield with Michael Best Strategies and on deck is Maurice Jourdain-Earl.

ANNE CANFIELD: Thank you very much for inviting me today and for holding the listening session on this important topic. I'd like to begin because -- many years ago I used to work for GE Capital and, you know, the mortgage insurance company. And the company that developed the very first (unintelligible) Freddie Mac affordable housing product which was the Community Homebuyers Program. And we developed it because a community activist by the name of Gail (unintelligible), some of you may recall her, she demonstrated against a meeting of the mortgage insurer CEOs and said she wanted private capital in her neighborhood. So fortunately, the CEO that we had for that company was very good. And he said, you know we should be talking. And so, we then -- then it turned into a very solid working relationship between the company and Gail. She taught us about people living in the neighborhood she was trying to help, and we helped her understand from a financial institution point of view what was needed.

So, the first product was a standard (unintelligible) product aimed at first-time low- and moderate-income homebuyers. We test-marketed it the first year in five cities in the Midwest. And it was interesting, we partnered with local lending institutions. We provided each homebuyer or potential homebuyer had to go through a consult. And so, they came in, they went through the consult, found out whether or not they were ready to buy a home.

And after the first year, if I recall, I could be wrong on this, but I think we had 1-800 numbers ringing off the hook the whole year. We had 200 loans set up in a year. And I was like, (unintelligible) what happened here? And so, but we tracked it. And so, the people that lived in Wisconsin and they weren’t ready to purchase a home, the lending institution with whom we partnered helped the consumer get their credit record straightened out, (unintelligible) savings plan, etc. And they bought a home a year or two later when they were ready to buy one. And they were successful homeowners. So that was a very important lesson.

And, fast forward to today. Right now, unfortunately, we have a client that's been (unintelligible) mortgage agency headquartered out in Utah. But they provide down payment assistance nationwide to low- to moderate-, largely low- to moderate-income homebuyers, (unintelligible) 75 percent are low-mod. Fifty four percent of them are minority borrowers and all of them are first time. And I think downpayment assistance is going to be extremely important for the housing market going forward, and particularly for minority borrowers. But it's important that it be done right.

And so, what have we found? Under their program, all low -- homebuyers that have low FICO scores have to go through counseling. Every homebuyer gets one year's worth of post-purchase counseling following the close, which is very important. And, because HUD doesn't track the data under performance (unintelligible) individual performance for pricing or default data for each governmental agency, they went through these analytics and had their loans pulled from the Ginnie Mae loan pools to see how (unintelligible) were doing.

They found that their loans are performing better than the average. And they did a pricing study and they found that their pricing was lower. We think that the reason they're successful and their homebuyers are so successful is because of the counseling. And because of the -- I think the counseling agency that they used is Hope LoanPort, which is a HUD-approved nationwide housing counseling agency. And I think Hope LoanPort told us that they were the only lender in the country that does one year's worth of post-purchase counseling. But we think it contributed to the success of the homebuyers because if they get in a little trouble, have a question, whatever, they have somebody to talk to. And they (unintelligible) loan.

So, I looked at this and I looked at that and I remembered the lessons we learned from Gail many years ago. And it's the same today, if you have a homebuyer here and you need to make sure that they understand what they're getting into. And that, you know, that they are – they've got some assistance to help them if they have any questions.

The other key here is that if a consumer is paying a certain amount of rent, and their mortgage payment is going to be about the same, or in this period maybe less, they -- and they have a steady job, they may change their job more often (unintelligible) lower-income level, but if have a steady job, they're going to have to live someplace. And we found that they'll make the mortgage payments, they'll be a good credit risk. So, but, it's a combination of things that you have to look at from a risk perspective. And so, you know, looking at this, I think downpayment assistance is going to be important. It's -- you know, going to help a lot of minority borrowers get into homes right now.

And the other thing that they're doing is they're doing outreach through the African American churches, community church organizations (unintelligible). And if the consumer's (unintelligible), they get an educational seminar on the home buying process, like, you know the Realtor's there, the title person's there, the lender is there, etcetera. And then, after that general session, each person can sit down with a loan officer and if they're able to pre-qualify they do. If they're not able to – if they can't prequalify, once again they get an actual plan, financial plan that says here is your situation. If you follow this plan you will be ready to purchase a home, you know, a year or two or whatever the time period is (unintelligible). But they leave with an actual financial plan.

So that's kind of on-the-ground hard work with each homebuyer that makes programs successful. So, in looking at the GSEs' affordable housing goals in the past when they had the Consumer Mortgage Coalition, which I ran for many years, we filed very detailed comment letters. You can go back to HUD to find them, you know on all the affordable housing goals. And you know, having gone through all of this for a number of years now, my recommendation is that the goals should be program-focused. And they should be flexible. Because in order for it to really work well, you've got to be able to piece together, as you've heard today, CDFI -- you've got to be able to piece together different money combined with making sure that the homebuyer who is getting into the home is ready to purchase one, and they've got the tools available to them if they need help.

So, instead of focusing on certain numerical goals, as has been done in the past, I would set goals on programs and (unintelligible) flexibility. And so, I know you have certain goals. You want to help rural areas, you want to help Native American groups or whatever, but you know that there – you both have goals generally and offer a lot of flexibility to (unintelligible). So, thank you very much for allowing me to speak today and hopefully it was helpful. Thank you.

DAVID SANCHEZ: Thanks Anne. Next up we have our last speaker of the day, Maurice Jourdain-Earl, Managing Director at ComplianceTech.

MAURICE JOURDAIN-EARL: Good afternoon everyone. I hope that being the last speaker of the day that I can share some things that you can walk away with and kind of feel. And that's because I'm feeling right now, based on all that I heard today, I've been moved (unintelligible) sitting up there crying.

My story is (unintelligible). My parents are from Mississippi. I just recently had my DNA testing done. My mother's line, this is African ancestry -- my mother's line goes back to Nigeria, Igbo territory. My mother -- my father's line went to Portugal, which were major players in the slave trade. And so, I stand here today realizing and recognizing that my plight as a black man is no different than low- and moderate-income white people's, that has also suffered in so many different ways. The only difference is the color of my skin.

But as I sit here and I talk about Duty to Serve to this panel, okay, my first recommendation right now, 11 years after 2008, is to take the word 'S' out of GSE. You are not government sponsored anymore. You are a government agency. A government enterprise. You're no longer private. There's been a profit sweep, every year. I'm a stockholder and I'm bleeding losses, revenue, the activities of Fannie Mae and Freddie Mac. So that's my first comment.

But, to get into what I came here prepared to talk to you about – (unintelligible) all those things. But my line was, GEs', not GSEs' anymore, duty to serve who? The question is, who. Right now, as a 46-year veteran of this industry, I'm 66 years old, I graduated from college when I was 20. And since 20, I have been involved in all aspects of financial services. So when I speak, I speak from experience.

Fannie Mae and Freddie Mac, today, buy more than half of all the mortgages made in this country. They've grabbed market through their underwriting and pricing guidelines, and as a consequence, there's a real responsibility to close this gap. But to close the gap it has to be intentional. It can't be by accident. So, while Duty to Serve is a small component that came about as a consequence of HERA, it's not as intentional as I think it needs to be. But it would be different if you were operating as a GE. That is, it's not just a component of what you're doing, but it's central to what you're doing. And to that degree, those three pillars, and you know what they are, I still ask the question, duty to serve who?

Right now, the government enterprises serve the needs of middle- and upper-income white people and middle- and upper-income white neighborhoods. White people end up with lower-cost conventional loans that you buy. Black people – I'm going to speak in terms of black because that's where I'm coming from right now. But I want you to know that what I am saying as a black man, it resonates with all the (unintelligible) I heard here today. So, while I'm speaking as a black man, black people disproportionately get higher-cost conventional loans, i.e., subprime, and higher-cost FHA loans, which the GSEs do not buy regularly. They don't buy subprime, they don't buy FHA. So, the primary mortgage market that you guys buy loans from has a history of discrimination and redlining and they do not originate the kinds of loans that black people (unintelligible). And as a consequence, your numbers that I will share with you in a moment are dismal at best.

So, your secondary market activities, which is the title of this section, (unintelligible) others, on some of the documentation it says Racial Inequality in the Secondary Market Activities of Fannie Mae and Freddie Mac. Well, I've got some numbers, and for those of you on the stage, (unintelligible), others I've talked to will go up. But the point is this: that over the last 14 years, before the crash, white people received subprime rate loans as well. About 23 percent in 2006, before the crash. Fannie Mae did not buy many of those loans, but yet they went into failure as of 2008 and ran out, okay?

Black people, on the other hand, in 2006, 56 percent of the conventional loans that were made to black people were subprime. Many of them toxic (unintelligible), many of which fell into foreclosure and default. And unfortunately, those loans that were made of that nature, did not have the benefit of HARP and HAMP. HARP and HAMP had a prerequisite that the loan had to be owned by Fannie and Freddie. And so, as a consequence, there was a big (unintelligible). White affirmative action, if you will, for those folks who, they had the benefit of staying in their homes as a consequence of those government housing finance agency- and Fannie- and Freddie- organized programs. Black people didn't benefit from that because they didn't have those loans. And they didn't have them because (unintelligible).

I heard that little beeping sound, so I don't know if you're going to force me off since I'm the last speaker, but we still got some extra time. But I've got something to say, okay? So, you might have to put a gag on me, but I want to get through what I have to talk about, okay? I'll be as conscious of time as I can.

But here's the numbers. This is a 13-year average share of loans purchased by race, and by Census-tract percent minority. I'm just going to give the top number for whites and you can only imagine what it looks like for the rest of the racial groups. For Fannie Mae, the last 13 years, 80.5 percent of the loans that they bought were from white people. Freddie Mac, 82.3.

Just by way of comparison though, the share of loans they bought from black people, Fannie Mae, 4.12 percent. Freddie Mac? Even worse, 3.42 percent. You get what I just said? Four percent, three percent over the last 13 years. When it comes to the demographics of the community, we talk about it in terms of Census tract percent minority. If a Census tract is less than ten percent minority, it's 90 percent white. So, for those Census tracts that's less than 30 percent minority, i.e., 70 percent white, Fannie Mae, 70 percent, 70.5 percent of their loans came from neighborhoods with that type of demographic. Freddie Mac, again even worse, 72 percent.

So, in other words, most of the activity has gone to middle- and upper-income whites, in middle- and upper-income white neighborhoods. Which is why all the stories that I've here today, literally have me in tears. Because you guys have been shut out of this, representing people that are low- and very low-income, trying to make a living and stay alive. We've been adversely impacted because the agencies, the box that they're operating with from a private-- when they go private, we don't fit the box, okay? And we won't fit that box unless there are some intentional changes. It has to be intentional. It will not happen by accident.

I mentioned earlier today that the definition of insanity is doing the same old thing, expecting different results. It's not going to end. We will be having the same conversation ten years from now if we continue to go down this very same path. It will not change.

So, part of the box is credit scoring. This is coming from the Federal Housing Finance Agency's 2018 Annual Report to

Congress. Seventy percent, 70.6 percent -- 70 percent of the loans bought by the agencies were 720 and above. Did you hear what I just said? Seventy percent, 720 and above. There's no way low- and moderate-income, very low-income are going to fit that box. It doesn't leave a whole lot of room.

When it comes to income disparities, now this is not racial, this is neutral by race, if I was dealing with applicant income and Census tract income, again skewed towards middle- and upper-income, non-Hispanic white. Fannie Mae, for the last 13 years, 77 percent of their loan purchases went to middle- and upper-income applicants. For Freddie Mac, 78 percent middle- and upper-income applicants. When it comes to the demographics of the Census tract, again skewed towards middle- and upper-income Census tracts.

Now these numbers are going to make you want to stay sitting down. Fannie Mae, the share of loans bought in Census tracts that are middle- and upper-income was 87 percent. For Freddie Mac, 88.5 percent. So, with all the talk, that's where the money's going. That's what this government sponsored enterprise configuration is serving. Middle and upper income white people and middle and upper income white neighborhoods, period.

And there's an intersection, because something else is happening right now in central cities. Because there's an intersection of affordable housing, redlining, redlining and what's my last line I wanted to say there – I've got notes here -- redlining and one other thing here I was going to say. And gentrification. How could I forget?

My neighborhood in Chicago where I grew up, you know things are happening when the name changes. So, my southside Chicago neighborhood is now called Bronzeville. They've torn down the projects. They're putting up nice townhouses. Rents are going up, property values are going up. It's gentrifying. My wife and I always laugh. You can tell the neighborhood is gentrifying when you see white people out walking their dogs. Or you see white people out with their baby carriages. You know it's changing. You also know it's changing in the reverse when you drive, and you begin to see check cashing services. And pawn shops. It changes. Of course it changes when you see the street name Martin Luther King Boulevard.

So, with that there's a configuration of things that's happening and what I'm hearing now in this session today, it's not just happening in the central cities, it's happening in rural America, it's happening in manufactured housing communities. We're all suffering. And we're suffering just trying to get and stay alive.

But again, at the same time, the profit motivations that the agencies once had -- they're not there anymore because many of you that own stock, you're suffering just like I'm suffering. My blood is bleeding. My share of ownership has been in the red since 2008. I cannot afford to sell it unless I'm going to take a real (unintelligible). Bottom line though is we're got a government profit sweep, we've got homeownership rates that are of vast differences. Black homeownership rate is 21 percent, non-Hispanic white homeownership rate is 73 percent. The difference that's there is the main wealth difference that exists in this country.

Now mind you, we came here by force as African Americans. Many of the new immigrants came here by choice. But regardless of how we got here, we've all in this same situation together. And so it's going to take a collective effort from us to fix it. And it can't be just, coming up with a new pilot program and it can't be just coming up with some little trinket and trash and think it's going to change. It's got to be substantive. And it must start right now with the Federal Housing Finance Agency as a regulator.

JIM GRAY: Could you maybe wrap up in two or three minutes?

MAURICE JOURDAIN-EARL: I can. I am just now (unintelligible) but I will shut up. And to that point, I've got some recommendations. My recommendations are pretty simple. And I think rather common sense. But it kind of goes with what I've been saying. And that is, as I mentioned at lunch this afternoon, that Duty to Serve has to begin to include race and ethnicity as a point of measurement. If you don't know what you're doing, how will you know when you get there?

You also must begin -- I had it in my notes, I used the word *should.* Right now, I changed that word that you have a *responsibility* to monitor the approved lenders that you buy loans from for fair minority lending performance. Right now, Fannie and Freddie are buying loans from lenders that I know are redlining. I've got the data to prove it, okay? And so, to that degree, you can know it as well, if you monitored what they're doing. HMDA data's got all the answers for you, okay?

So, stop buying loans because you're enabling lenders to continue to do what they've always done. Lastly, those lenders that are redlining, and those lenders that are discriminating in underwriting and pricing of mortgage loans. They are, in effect, if they're not doing FHA loans, we can identify the fact that they are redlining. (Unintelligible), it's a consistent pattern.

Lastly, in closing, again, I changed the word to a soft word (unintelligible), okay? So this is a *must*, you must help develop standards to assess what lenders are doing in the diversity and inclusion space. People like to do business with people who look like them. Right now, the lending industry – I hesitate to use this term, my wife would kill me. She does, she's a nurse, (unintelligible) nurse by profession. But over the last 15 years she's been doing diversity and inclusion work. But, I'm about to make this statement and the term is "lily white". The lending industry today is still lily white. And as a consequence, you're making loans to people that look like you. That's natural.

So, unless you're going to do something with regards to Section 342 of Dodd Frank, it will continue to happen. So, the responsibility (unintelligible) on the hands of the people that are engaging these lenders to continue to be in business. You must begin to look at what they look like on the inside, because what they look like on the inside is going to have a direct impact on what kind of loans you buy. And as regulators, you're in control of what they buy, and how long they're going to be able to do that. And please do something to hurry up and make them stop bleeding to death (unintelligible). Make them private, or make them public, I don't care. (Unintelligible) wait, so we can get out from under this quasi- we don't know what we are. You don't know what you are right now.

Okay. So, I know I've got to stop. But I'm going to stop now. But I just, I thought you guys were for one having, a "listening session". I hope you got an earful today, because if you didn't, I did. And I applaud all of you for coming and sharing your stories. Thank you.

JIM GRAY: That's an inspiring note for us to conclude on. Again, on behalf of Freddie Mac, Fannie Mae and FHFA we do sincerely appreciate all the time and the smart people who took time to come to this session and this event. One of the things on the agenda is for me to talk about next steps. So, if it's not already apparent, the important next step is that -- I took a lot of notes. I saw colleagues at Fannie and Freddie taking notes as well. They intend to consider what we heard in this listening session, as well as the one -- the two that we had the week before last in St. Louis and Los Angeles, and the one we still have yet to hold, which will be online. And they will consider that as they begin plotting out what they plan to do going forward with Duty to Serve. So with that, I'm going to call it to a close. Thank you all.