LYNN FISHER: Thank you for coming. My name is Lynn Fisher, I'm senior advisor for economics at FHFA. I'm working directly with Director Calabria so, on his behalf, and on behalf of FHFA, thank you for coming. We are looking forward to this listening session. The session is certainly intended as an opportunity for us to hear from you.

I would say this is a very timely event from my perspective, as we are coming up to speed as a senior leadership team; bringing Director Calabria up to date on what's happening with Duty to Serve Plans and what's happening now on the ground. I think we-- it is also time to start thinking about the next planning cycle, and so there is much for us to get up to speed on and then to help start looking forward, with your all's help, for the next planning period.

I'm excited to hear from all of you today. Maybe just a couple of words about my background so you kind of know who you're talking to. I'm a reformed academic. I spent a number of years working at Washington State and with MIT in their planning school, also spent time at UNC in the business school, but always focused on some aspect of housing and housing markets. I love to get into the weeds about the institutional details of how things are done and developed in different places and that's actually what makes housing such an interesting topic. No matter where you go, even within this country, let alone if you go outside this country and look around the world, the different ways in which we provide housing for different needs, for different types of folks, and the ways we finance it. You can tell how housing is financed all around the world by just looking at it. Some people build it in stages, some have these elaborate systems, but you can tell a lot about housing systems and how it's financed.

So I know these institutional arrangements are some of what we'll be talking about today and I really do look forward to hearing from all of you. I know we've got a schedule to keep. I'd like to invite Rita up to say a few words, and thank you so much for coming today.

RITA AGUILAR: Good morning. My name is Rita Aguilar. I'm actually am a Vice President for the Federal Reserve Bank of San Francisco, the Los Angeles branch. So, just want to make sure to welcome you all to the Federal Reserve Bank. Outside of the head office this is our second-largest office in our district which also covers the largest square miles of any of the Reserve Banks.

And we have, we're proud to say, one of the largest cash operations in the country here. We go back and forth with New York and I think right now we're beating out New York in terms of how much currency we're processing to our center down in the basement. So in essence we cover all the way down to the border and Las Vegas. So you can imagine that we have a lot of currency running through this particular site.

Here at the Federal Reserve Bank of San Francisco we are firm believers that our work touches the lives of every American and global countless citizens and we're very committed to being a community-engaged bank where we're building connections, not just with the people that we serve, but their communities, to the degree that it's now become part of our strategic direction. We have four areas of focus and this is one of them.

We see the value of gathering the stakeholder input in planning work designed to serve our communities and so we're really excited and honored that you've decided to host a second session here to collect valuable stakeholder input on your Duty to Serve plan. And so I just, you know, mi casa is your casa, so to speak. Welcome. Please feel free to engage any of our staff if you have any questions and just thank you for being here. We appreciate your diverse perspectives and your engagement and I'm going to turn it back over because I know that you're trying to make up some time here and please enjoy.

JIM GRAY: Thank you Rita and thanks to everyone for being here. I want to add my welcome to Rita's and Lynn's. My name is Jim Gray and I work on the Duty to Serve program at the Federal Housing Finance Agency in Washington, DC. And for those of you who have not been to one of our listening sessions before, listening to what stakeholders have to say has from the outset of the Duty to Serve program been one of our highest values and we really appreciate everyone making the effort to be here today.

I'm going to just ask the people who are at this front table from Freddie Mac and Fannie Mae to please identify yourselves?

MIKE DAWSON: Good morning, I'm Mike Dawson with Freddie Mac, representing our single-family business.

COREY ABER: I'm Corey Aber with Freddie Mac, I'm the Director of Mission, Policy and Strategy for the multifamily business.

MIKE HERNANDEZ: Good morning, everyone. I'm Mike Hernandez. I'm a Vice President for Housing Access for Fannie Mae.

JIM GRAY: Next, on behalf of the Federal Housing Finance Agency, Freddie Mac and Fannie Mae, I want to express our deep appreciation to the Federal Reserve Bank and in particular Rita, who you just heard from, and Carol Srivongse and Laurel Gourd, who did a lot of the work to organize this so that we could have the program today.

I want to also to note at the outset that this meeting is being recorded for the purposes of transcription so as part of our transparency it's very important to us that everybody understand before they speak that we do have a little tape recorder right up here and we do intend to make full transcripts of the meeting and post that on our website afterwards so that other people can understand what the input is that we're getting.

As I said, we place a very high value on public engagement as part of the Duty to Serve program. Congress has targeted Duty to Serve as three historically underserved housing markets; manufactured housing, affordable housing preservation and rural housing. And while both Freddie Mac and Fannie Mae have added a lot of cracker jack staff who have become very seasoned in these lines of business, we realize that between FHFA, Fannie Mae and Freddie Mac by no means do we have a monopoly on the best way to serve these markets which have not been the markets that we have historically served the best. And that's why we're especially interested in hearing from you who in this room we have quite an array of expertise in all three of those markets. So, please don't be bashful about sharing your expertise when your time comes.

So, let's see, a couple of other things. If there's anyone here who is signed up to be an observer but not a speaker, who is not speaking at one of the other listening sessions, we are happy to work you in and give you a speaking slot, so my colleague Rebecca Cohen. See her at a break, she will be happy to put you in the order of speakers.

And then, finally, we have just this week released the Enterprises' reports on Duty to Serve for 2018. This includes the reports that the companies prepared at the end of the year that FHFA used for our evaluation. Those reports were done in March and we also released quarterly reports that would allow you to go back and see more granularly what the progress was over the course of 2018 and then finally we put up a dashboard that allows you, I think on the single-family side, to see more granularly what some of the loan purchase achievements were for this first year, 2018. So I encourage you to go and take a look at those when you get the chance.

All right. So, now, I'm going to briefly describe to you how the program's going to work. First, we're going to ask each Enterprise to give about a ten-minute synopsis of what they saw, what they see now looking back on 2018 as the things that they accomplished and the challenges that they see for the Duty to Serve program moving forward. And then following that I'm going to ask the people who are part of the first panel, the Affordable Housing Preservation panel, to move to this table where there's no one sitting right now.

And then that will allow you to, as your ten-minute slot comes up, you can come to the podium and then return to that table and then we'll have the people who were part of the first panel all in one place for the brief Q&A segment that we'll have following the end of presentations from the first panel.

And then at lunch there will be an opportunity for you to ask questions of Fannie Mae, Freddie Mac and FHFA and we very much – sometimes that's where we learn the most is when we get asked questions. So, we look forward to your participation in that.

So, that's pretty much what you can expect from the program today. If anyone has a question about what to expect that you feel like is relevant to everybody that I haven't covered I can try to address that now. Great. Seeing no hands, I will now turn it over to Mike Dawson at Freddie Mac to talk about Freddie Mac's experience from 2018.

MIKE DAWSON: Great. Thank you, Jim. And good morning, everyone. Thanks to FHFA and the Fed for organizing and hosting today. We had a great time in St. Louis and as Jim has said, use this time to ask us questions. We're here for the full day. We also have Dennis Smith from Freddie Mac here joining us. And I'll just say it now, throw out a brief advertisement: We do have more detail about Freddie Mac's activities in the markets in 2018 sitting right outside the door there on the left. We've got plenty of materials, we've got plenty more back at the office if you want to have us ship you more, we're happy to do so.

But, you know, our commitment within the Duty to Serve Plan started at the top of the house. The Board of Directors, throughout our senior leadership at Freddie, we have a huge amount of engagement and support across our organization in support of the activities of Duty to Serve.

Duty to Serve is part of the fabric and the business of

Freddie Mac. We've been in these markets for many, many years. We've increased our, certainly increased our commitment to these markets and the depth of participation across these activities. But it's not viewed as a Duty to Serve activity. It's viewed as a part of our commitment in the housing market overall. And Freddie Mac is best used as a catalyst for change. Driving standards, standardization, valuation standards and other types of activities to sustain liquidity in the market.

It does none of us any good if we enter a market and we don't have the intent of staying there for a very long time. That's the mantra of Freddie Mac.

We do not work directly with consumers. We work through the lending organizations, our business partners in supporting products, programs and services that our lenders will then deploy to better meet the needs of communities or individuals, certainly consumers within those areas.

So, we provide the financing and other capabilities in that state and then purchasing risk, as it were, securitizing those assets, and then distributing that risk further into the capital markets. We have a very robust credit risk transfer business that's done some wonderful things. We actually should be expanding those components of our business.

But we're all about developing solutions through our presence in these markets. These markets are difficult, as many of you are very, very well aware of. So, collaboration with you and other business partners in these markets is key. We can't do this alone. So your ideas, your support and your push to help us do better are all welcome. That's why we're here today.

COREY ABER: So when we set out with our first plan in 2018 we wanted to be both broad and deep. And we were looking for ways we could have immediate impact through loan purchases, through new offerings that would be deployed on the ground right away and leveraging that which we already have but applying maybe new ways.

But we also wanted to build out that, where there isn't as strong an understanding nationally, as strong a foundation we wanted to make sure we were building that out.

Because our view is, you know, it's not just about making loans. It's about making a better housing finance system that works for more people in more markets. So, we looked at four components of our work, really all of which are driving toward sustained liquidity in these markets. We looked at research and reaching out and educating not just ourselves, which is very important, but also educating those who are not in the room today, who are not part of the group helping us figure out what to do, to develop a broader understanding, which is really important to attracting further investment capital from outside of those who are intimately involved in these markets today.

We're also looking to better develop some of our offerings and our products. On top of a lot of what we already have, which can be a product today, which is a product today, we wanted to do more.

And then clearly purchasing loans is a very big component of our plan in different parts of the market. And we have increased our loan purchases in many parts of these markets immediately in the first year of our plans.

And as Mike mentioned, transferring risk is fundamental to what we do. And Duty to Serve talks a lot about outreach, investments, purchases. And we wanted to do more, we wanted to make sure that credit risk transfer was a big part of our business overall and a big part of the business that goes into Duty to Serve.

So, looking back at the first year and the first half of this year, we will talk about a couple of highlights here by market. And in the manufactured housing space, in the multifamily business looking at communities, we introduced offering terms to support resident-owned communities and we purchased our first loan on a resident-owned community under Duty to Serve. This year we've actually purchased some in advance. We also enhanced our traditional MHC offering to support tenant protections, to incentivize borrowers to quickly place more tenant protections as identified in Duty to

Serve. And we saw immediate uptake of that program this year.

In the rural market we focused a lot of effort on our LIHTC equity investment. I think we all know that especially on the multifamily side, it's very hard to develop and support multifamily properties in rural markets with hard debt. (unintelligible) So LIHTC equity is a very big part of that for us.

We also developed some mapping software that maps the entire affordable housing market, all the properties in the country, to draw more attention to parts of the market that are not as readily served and approached by the network today.

And then on the affordable housing preservation side, with reference to multifamily, this is a big part of our business. Thinking back to when HERA came out ten years ago, eleven years ago. We were doing a billion, two billion in affordable housing preservation multifamily side. We have grown that to over seven and a half billion. Last year we did 7.7 billion of business in Duty to Serve, and we transferred the risk on over 90 percent of those loans already (unintelligible). We expect that to continue through this year and through the plan going forward.

MIKE DAWSON: So you can see the numbers up here. We are very proud of the purchases we have made in these markets. That’s the most transparent, tangible thing that you can see across all three markets in the single-family and multifamily businesses.

The thing that we’ve also focused on that's probably less transparent is the work that we do on valuation, partnering with the Appraisal Institute in the form of applying more consistent views associated with manufactured home valuation, energy efficient valuation and components of renovation activities and certainly driving more standards and standardization-- not so much with the, well even with the Appraisal Institute on community land trusts. In each of the activities that, or products that we’ve issued in the market, or refreshed in the market, across manufactured housing and the housing preservation space and in the energy efficient space it’s all been driven by the foundational pieces of training and educating those in the market that support these activities on a day to day basis.

Because throughout the years we have talked to lenders, builders and others in all these spaces, if not broader, it has been known that builders would build more of manufactured homes or other types of homes in the market, whether energy efficiency or not, if they can get a consistent value view of what (unintelligible) those loans. So that's why we deliberately have spent a lot of time ensuring the consistent value across these three underserved markets where it makes the most sense.

COREY ABER: I know we are getting started with the next plan cycle, and what we're going to do from 2021 to 2023, but we are not actually done with the first plan cycle yet. We still have another year, year and a month or so to go. You can expect more from us just under the current plan. More support for manufactured housing, more liquidity to the affordable housing preservation market, more tax credit equity in rural markets. There is a lot more that we are doing over the course of this year and next, as we plan going forward.

MIKE DAWSON: Just quickly here are some of the challenges. Many of you recognize these challenges. So the first one here is around zoning laws around factory built houses, around ADUs in some cases, maybe less so in some cases. But we have spent a lot of time working with a variety of constituents in the market and ensuring that they're familiar with what's being done in the factory-built space and other areas of building and construction and financing, actually.

And so we will continue to do so.

Again, I know we are getting red light here. But there is a number other challenges up here. But again, that's why we are here. To hear the thoughts you have and help us improve (unintelligible) today and help us drive these markets forward. So thank you.

MIKE HERNANDEZ: Jim runs a tight ship, so don't start my clock yet. Let me get my notes here and get myself ready. On your mark. All right. Good morning, everybody. How you doing? Thanks for having us down here in beautiful sunny California. It rained yesterday, but it's been beautiful. Can we take the meeting outside and just sit on the patio? Yeah, that would fun.

Well, thank you again all of you for joining us. And thanks again to the Fed and Rita and her team for facilitating us here, and Lynn and your team for putting all this together. Jim does a great job. It's been fantastic. We should do ten or fifteen of these all across the county.

So again, my name is Mike Hernandez. I am Fannie Mae’s Vice President for Housing Access and it’s my pleasure today to share you with a quick overview of our team’s Duty to Serve accomplishments in 2018 as well as some of the things that we've learned early on and some of the challenges that we are going to be facing, we believe, in the coming plan.

So Fannie Mae's purpose and mission is to ensure that there is liquidity in the market every day in single family and multifamily across the country, while improving access to sustainable affordable mortgage financing for those of modest means. Our Duty to Serve activities complement our housing goals and our core mission by challenging us to increase access to mortgage credit beyond our current investments. We were already making substantial investments in these underserved markets. But Duty to Serve asks us and challenges to do more, in manufactured housing, rural housing and the preservation of affordable housing. And we have assembled a great team of Duty to Serve professionals. Part of our posse is here today. Guys, raise your hands so we know everybody is here. We usually bring about 20 or 30 people out. They won’t let me answer any questions.

We've got a great team of people. These are the folks who are on the ground delivering results. But more importantly we’ve integrated our Duty to Serve objectives into the fabric of the company. From our board of directors, from our CEO down to the most junior analyst they understand the importance of us having an impact in these markets and we are all in this, growing together.

And we are making a difference where it is needed most through Duty to Serve. We are proud of the results that we've seen. We weren't perfect. We know that, but we have learned a lot. We tested some things that worked and some that didn't, and there is room to improve. And I am sure you guys will share with us areas where we can improve.

The first thing we did as part of our Duty to Serve plan was to engage and listen. We met with hundreds of industry stakeholders, many of you in this room, to discuss, create and solve for new solutions. We facilitated meaningful engagements and learning sessions. We obtained expert and practical external input and just as importantly we traveled to see and engage local partners on trust land in rural markets and in communities focused on housing preservation. We didn't stay in D.C. We were out in the market with folks that are practitioners on the ground to help us better understand how to impact these markets.

As a consequence, we executed more than 30 research initiatives to inform our ongoing actions. We launched more than a dozen marketing and educational campaigns in 2018. And then we took all that early learning and started to execute on a suite of products that we could address early on. We didn't wait for three years to come. What could we do in the near term on appraisals, on valuations, on product variances to start the ball rolling to have some impact and that's what we did substantially in 2018.

So let me share with you a little bit about some of our accomplishments in manufactured housing. So in the manufactured housing space we grew our affordable manufactured housing real property investment business by 26 percent to a total of 12,604 loans. We introduced MH Advantage, a whole new designation for manufactured homes which featured -- which have features similar to site-built homes. And on MH chattel financing we conducted extensive research and outreach to inform a potential pilot, study the credit issues, the servicing processes, getting critical data, evaluating consumer protections and other standards we would apply if we purchase these loans in the future.

We also launched a loan purchase program that provides pricing incentives for manufactured housing communities that incorporate tenant pad lease protections, a critical and important component to Duty to Serve. And we also introduced a loan purchase pilot program tailored to financing needs of resident owned communities.

In the affordable preservation space our team exceeded its goal for loans in Section 8 properties, which totaled 25,370 units and 142 loans and we supported the preservation and renovation of distressed public housing by purchasing loans in properties participating in HUD's Rental Assistance Demonstration, a total of 11 loans, 1,820 units. And this is critical housing stock, we are going to maintain it over long term.

We've increased the amount of Low Income Housing Tax Credit debt financing, especially with those properties that have longer use restrictions remaining. That's another way for us to be able to preserve those properties for the long term. We did 84 loans, 11,582 units.

We built on our established single-family shared equity mortgage program by expanding our Community Land Trust residential mortgage product and adding support for limited equity coops. CLTs are becoming a more and more important component of the overall landscape for affordable housing. Being able to extract that land out of that equation allows us to provide very long-term affordable housing solutions.

We also increased our support for borrowers and non-profits purchasing distressed single-family assets. And we enhanced our single-family renovation loan product to make it easier to include energy saving retrofits. And finally we purchased 1,072 multifamily energy efficient loans totaling over 223,000 units across the country.

In the rural housing space, we fully executed MOUs with Native American tribes that will allow lenders to do conventional lending to home buyers on trust lands. And this is the critical piece -- I was talking to Ronald a little bit earlier -- the ability, the challenge that it takes to be able to marry our conventional lending system while respecting the sovereignty of trust lands of the tribe, it's a delicate balance but it can be done, and we are having some great success doing that.

We've exceeded our single-family high needs rural purchases by 9 percent, developing 11,700 loans. And we partnered with two CDFIs serving high needs rural regions. And through our Low-Income Housing Tax Credit equity investments we closed 42 properties in rural areas for 118 million. And thanks again to our regulator at FHFA. Allowing us back into the tax credit market was critical, not only to meeting our Duty to Serve requirements, but also to serve affordable housing across the country.

In the tax credit equity space we did 13 LIHTC investments in properties in high needs rural areas, high needs rural areas. I want you guys to capture this, this is some of the tough of the tough, and four tax credit properties serving high-needs rural populations like agricultural workers and tribal members.

So what are some of our early learnings? Relationships matter. Without engaging with the right partners, without finding those right partners in the market, we are not going to have the impact we need. Challenging the status quo, not just within the company of Fannie Mae and our credit teams and our business teams, but also all of you in the marketplace. Is there something different? Are there local communities that we can -- that are doing something creative that we can leverage?

Action, you know, we've got to do something now. We can't wait for three years. What can we learn? What can we test? If it doesn't work, stop doing it. We will do something else.

Making it simple is critical. Simplification is key. It's got to be easy to understand, produce, market, and service. And it's got to have value to the end investor that's bringing the capital.

And finally, loan tracking. Data is key. If you don't have the data we can't measure it. We can't quantify the risks that are there and we can't quantify the benefits. So data is critical to the success of our plans.

And then finally some of the broader challenges that we are going to face. Fannie Mae values bringing products to scale so they can be replicated, costs can be reduced and investors can be attracted to new capital. That's going to be a piece that we're going to have to look at and leverage. We also want to be able to maximize our resources. Being able to support not only all of the initiatives that are out there, but where can we put best efforts forward? And finally improving communications and response. Staying in communication with you and our regulators and being able to make those investments.

I really appreciate the team's work this year, all of your support. I look forward to your questions and thank you again. There is my timer. Thank you guys.

JIM GRAY: All right. Thank you, Mike, Mike, and Corey. One of the responsibilities that the Federal Housing Finance

Agency has with Duty to Serve is to annually rate-- evaluate and rate the performance of both Enterprises on their Duty to Serve obligations. And we put out a report that's called the Annual Housing Report that is a pretty lengthy report, because it includes more than Duty to Serve. It also has the affordable housing goals in it. That report is pretty easily accessible on our website. It was posted on October 30th. That was for 2018. However, the part where, just the narrative portion that discusses what the Enterprises accomplished in 2018 is really only about eight pages and so I would recommend that you have a look at that when your time permits. And, of course, they did a really good job of synopsizing the things that they have accomplished.

Because this was the first year, we didn't have a lot of benchmarks for how to evaluate their progress. FHFA decided that for the first year, each company should be rated satisfactory. And we do have new leadership and we are taking a top to bottom look at the program, of what we can do to make the program work better in the future and looking at how we evaluate them will certainly be an important part of that.

A couple of things that I would call out in the manufactured housing market. The work that the companies did in developing products that reach the market for homes that look much more like site-built homes, there was a tremendous amount of progress. Although there weren't a lot of loan purchases, that's one of the things in this business. There is quite a delay from the time you start to develop products until you are actually purchasing loans. We are hoping that we will see more of those loans beginning this year.

And then the tenant pad lease protections, they both made reference to that. That certainly has been something that has gotten a lot of attention in the press for where the Enterprises have made a difference in market.

The rural LIHTC equity investments that both companies made were especially significant. Fannie Mae especially made an effort on working in distressed properties, which was very impactful. And then Freddie Mac had the recent rural research symposium which doesn't exactly-- sort of twists in your tongue, but we are hoping that they are going to continue to do that.

MIKE DAWSON: We will.

JIM GRAY: Okay. Good. So that’s a high-level summary from an FHFA perspective of how 2018 went. But now we are going turn to the part of the program where we will hear from you.

And so I want to ask the people who are part of the first panel, the affordable housing preservation panel, if you would please move from your seats to this table in the middle.

REBECCA COHEN: If we could ask Mark Asturias to come up to the podium to be first. I have got the timer here. So it will be yellow light when you've got 90 seconds left and then red when your time's up.

MARK ASTURIAS: No pressure.

JIM GRAY: Mark, before you start let me allow the -- we have two new representatives from Fannie Mae for this panel. Would you all introduce yourselves?

CRYSTAL BERGEMANN: My name is Crystal Bergemann and I work on the multifamily affordable side.

NATE SHULTZ: I'm Nate Shultz, I work on single-family affordable housing preservation.

MARK ASTURIAS: Thank you very much. Thank you for having us today. We really do appreciate the fact that you are putting on these sessions. And I would want to start out first by saying thank you to (unintelligible) that you are doing that and making a concerted effort across the country.

I am here as a representative of the community land trust community itself as well as a member of Grounded Solutions

Network, which looks at shared equity’s role in this country and advocates for that model to be implemented throughout the United States. The Community Land Trust model – I’m not going to go into it because it's obvious that members of the panel here understand exactly what we are – but I do want to point out that a community land trust model has one singular focus of affordability, whether it’s rental or homeownership.

And that singular core focus also means that we never lose the affordability. So investment is critical to this, because if we can keep these units affordable in perpetuity, your investment can go that much further throughout what you need to do as part of your Duty to Serve.

So let me also say that I would like to thank Fannie Mae and Freddie for being here and for doing something which I really didn't expect you were going to do with the first plan in particular, which was including a shared equity component into the plan, and particularly looking at community land trusts. That was phenomenal news to us. We were very excited you were doing that. We want you to do it again.

For the next part. We understand we are only in year one or year two for this current cycle. Please put it back in for the next cycle. In fact, while you have been doing work, and we appreciate that this is work that takes a little bit of time to put together and to implement, we don't want you to lose hope that your efforts are going to generate results. We think that community land trusts are here for the long term. We're not going to go away. This model isn't going to go away. You shouldn't go away. Keep your investment in there and we think that you are going to see results for the long term.

You can appreciate that the demand for shared equity housing products is significant in this country. I think this room is not going to be surprised when you know that over six million households have been surveyed and found to be looking for that kind of program, that kind of offering, that ability to enter your homeownership more and more than the rental. And that demand is not going away.

Our products, right now we are building units for for-sale. I opened up the interest list (unintelligible) and I had four thousand people put their name on the list for 68 homes. And I'm just one community land trust in the country today.

I have rental projects that we developed, LIHTC projects. (Unintelligible) has 2,000 people plus on the waitlist. People don't move out of these homes for years. So if you are on that list you can expect that you will be on that list for about ten years before you get a chance for a home.

Again, just to show you the demand is there and I think that with that demand you are going to see people wanting to qualify for the products that you provide, whether they are developers or whether they are homebuyers.

So with that I am going to just go straight into what we think are some recommendations that we would like to have presented to both the Federal Housing Finance Agency as well as Fannie and Freddie. I think that what you are doing is echoing in our recommendations to you. We don't see that what you are doing is incorrect or inaccurate. We think that we just want you to continue doing that and (unintelligible) to the greatest degree possible.

So I am going to read these because I wrote them all down and I think I might as well read them. So, for FHFA, first we would like you to look at clarifying some of the aspects of the shared equity homeownership definition, particularly to remove barriers for assessing whether buyers in shared equity programs actually qualify for Duty to Serve. It's been a little complicated and not quite as clear as it could be. And we just hope that as you look at that component that you would try and find ways to clarify in the program and in the program legal documents that you have that, particularly in the areas of refinancing, that those refinancing areas or lines of credit, are accounted for, and are capable of being achieved by our home buyers. And it's expressly stated in your program, particularly that, there has to be written approval. With that written approval we want it to be structured so that it can accommodate (unintelligible), presuming there is not actual language that talks about (unintelligible) approval. Giving the flexibility there for that to occur.

And alternatively if a program subordinates during a refinance, they should have written review and approval. We think that's important because it will allow our home buyers to actually kind of look toward mortgage products that might make the affordability of the homes they purchased even more affordable when interest rates change or when loan terms have changed for the better.

Next we would like the program to grant permission for Duty to Serve review to be done every two to three years. We are seeing that having to do a review of the people using the program every year or more frequently can become a burden. We are taking more time trying to qualify for the program than we are trying to get people into the program. So anything that you can do to stretch out the review period would be greatly appreciated.

We are also looking to FHFA to do one other thing. And this is a quote, because I got this from multiple constituents that I spoke to. They would like you -- we would like you -- to assign extra credit to the Enterprises, Fannie and Freddie, for shared equity homeownership activities and for shared equity loan volume. We think lending to shared equity homebuyers has proven incredibly challenging. And more needs to be done to (unintelligible) financial institutions who have to review these programs, both the buyer as well as the Community Land Trust or the shared equity organization that's working with the buyer. We need to find ways to help facilitate the programs that are out there, and how they are originated and how they are reviewed by our partners, you.

Lastly I hope that you, Freddie and Fannie, will be allowed as you are currently allowed by statute, to make investments in the shared equity program greater than you currently are. I know you are making those investments and we all understand and appreciate that. We would like you to continue that investment and actually up the volume if at all possible.

When we spoke with (unintelligible) we have found that we have ample opportunity to give you our impressions and our comments. I think this is another example of that. We appreciate that. We think that to ultimately to increase the scale of shared equity programs, whether they are Community Land Trusts or a shared equity program from a local community or a local nonprofit, that, that investment needs to be allowed, there needs to be adequate credit given to both Fannie and Freddie for doing that investment. One that is -- one that is kind of an extension to organizations to make them feel like what they are doing is good and what they are doing is seen as beneficial.

For Fannie and Freddie, we would appreciate if you would, and we would urge you to support the development and dissemination and the adoption of model deed restrictions covenants. We are finding that every community across California, in particular throughout the western region, has a different way of writing a deed restriction covenant. So if you could set up a model that we could then show communities it would help, because then the underwriting could get done quicker and is simplified.

We would suggest that you remove the burden on lenders to evaluate the programs in terms of the Duty to Serve component, particularly for homeownership shared equity programs. As well as minimize the underwriting requirements. If we are already doing all the work to make sure that our buyers qualify on the front end and then we are bringing them to you on the back end after doing homebuyer courses and such, there needs to be some acknowledgment of the work that’s been done in advance in bringing those buyers to you.

We would suggest that maybe you look at a third party assessment, bring them in, and we would hope that you would do one more step in the appraisal training process and that is to make sure they really truly understand the shared equity program (unintelligible) serve your program.

And finally we would like you to assess both the deals right now (unintelligible) and continued evaluation of what you are doing now. Seeing how your efforts are helping to increase the scale of the (unintelligible) deals, make sure that it's working and, in fact, what you are providing is allowing it to grow.

So with that, hopefully with all the work that you do, you will also increase the loan volume of programs that are out there (unintelligible). So thank you very much.

REBECCA COHEN: Nikki Beasley will be the next speaker.

NIKKI BEASLEY: Good morning. Nikki Beasley. I'm the Executive Director of Richmond Neighborhood Housing Services in Richmond, California. And before I start my comments, just want to share a little bit about what we just emailed to Lynn in which our comments will be made.

So we were established back in 1981 by local residents [unintelligible] the redlining issues that were [unintelligible] during that time. We've become [unintelligible] housing organization as property manager owners for residents that are low- and moderate-income families for rentals. We're a HUD counseling agency, advocating for homeownership as well as assisting individuals that are at risk of foreclosure. And we are also advocates, which brings us here today to address some of the concerns that we see through this process. And then lastly we are infill developers. In the City of Richmond as well Oakland, two communities that we serve, there is still a lot of blight, infill small spaces that have not been attractive to traditional developers. And we have found our space there.

So our comments, before we get started, just wanted to reiterate what was mentioned earlier: that data matters and we look at it from the perspective of race. Because we see that a lot of these solutions and implementation should be addressing the issue of access to capital and access to the ability of people of color to be able to be homeowners. And when we look at the data in the Annual Housing Report as it relates to race, with close to 76 percent of the mortgage market still being owned by non people of color, whites, it still boggles my mind that we are having issues as far as finding people of color to be able to get a mortgage.

So I would hope that as we are thinking through these issues, that it translates back to: are we increasing the number of individuals that are people of color being able to access these products?

So with that being said, we did go through the comment piece and wanted to also recognize the great job as far as looking at the manufactured homes element. Because in the community I know, being in California, especially in the Bay Area, we kind of are in this bubble. We are addressing issues that many parts of the country are experiencing, experiencing but not to level we are, and we believe that it is necessary to have a part in both figuring out multiple ways to address the housing crisis, especially as it relates to access to inventory, both being enabled to claim those products that can address manufactured homes. That really is the only way that there can be affordability for new construction.

And then also looking at the housing preservation piece. In going through the documents, I saw -- we saw, a lot of conversation about outreach, about involving housing counseling, which we got really excited about. And I would say, I don't know everything, but I am deeply entrenched in this work and a lot this I did not know. So I would offer that there is a better way of engaging stakeholders that aren't just the lender, not just the appraiser, but the trade associations, the Realtors, the nonprofit organizations, that are at the ground working. Because from an advocacy standpoint, we spend a lot of time working with institutions and banks as it relates to CRA, and we don't know what we don't know. So a lot of times we don't know what access they do have and if we knew that then we could have conversations of asking why they aren't doing anything. So we would offer that the outreach is purposed to where it is actually penetrating to the ground so that we can hold the institutions and identify them as accountable.

I also was reading with regards to the great work that's been developed in shared equity. Here is another opportunity where we can take part in both. Because there has to be multiple streams of opportunity for individuals to secure home ownership and there is not one solution that will fit everyone. So we would like to continue to see how shared equity can be a part of the overarching opportunity, because that includes the element where people of color can actually get into the market of home ownership. But at the same time we want to be mindful that people of color aren't necessarily below the 80 percent AMI.

And I wanted to address some of the new updates in regards to the Home Run - Home Ready program, where there has been conversation of decreasing the AMI limit to 80 percent to address what we at one time considered a loophole to where you can have a maximum AMI by census tract and that would qualify. But being in California, knowing that AMI levels are higher, and part of the reason we felt that was a loophole is because we felt that that was a trigger for gentrification. But I had an idea. And I think that -- and as I summarize this I hope I am not missing anything -- as we are looking for solutions, let's solve some of the problems. So our thought would be let's keep the AMI levels where they are. But why not address residency and validation? If you have lived in this community over a particular amount of time, and not be penalized because you exceed the AMI level that you won't get to participate. And if you're not able to validate that you have lived there then maybe that's where the ability to access the product becomes questionable. So I think that could be something to look at.

The other comments in relation to, in looking at the slide presentation, but it's been more work done in providing funds for nonprofits to apply to distressed properties. Again, this being our work, we have yet to be able to go a lending institution and to get a loan to acquire or have access to capital. And what tends to happen is, because we are a single-family scattered site operation, we are considered non-retail, because we are not owner occupied. But then when we go to the commercial side of the bank they don't have a product because we only want to buy small single family homes.

So I believe there needs to be something that we as a nonprofit can go to an institution, and that institutions don't rely on CDFIs to solve that problem, because those CDFI loans come at a premium. And also, in the mix of addressing these resources, that they should not just be limited to multi family. That in communities where, as I mentioned before there is blight and there is infill opportunity, that there should be products for construction. Currently we sit on 17,500 square feet in West Oakland, where we’re looking to build single family homes with our goal of being a work force missing-middle project which would have AMI levels up to 120. But because of subsidy, there is no subsidy available for home ownership. So where do we go? So it would be great to have a construction project to address one of these things. So it's not LIHTC. It's not New Market Tax Credits. The project is about 4.4 million dollars, so quite small compared to other projects that, you know, even a lender and/or Enterprise would have interest in. So definitely would encourage products for small site development.

And then the last thing, I got 90 seconds. And a little bit of -- a little bit of a fun fact. When we talk about the residential economic diversity, I would highly encourage you to call it something other than RED. We’ve got to get away from the red, yellow, green, which has caused a lot of these issues. Especially ending the links to explicitly what these programs were designed to do. And, again, it's problematic to understand why it's been so hard to find ways to invest in underserved communities.

So as you are going through this process, again, it's going to be quite valuable to where you are locked in with the stakeholders doing the work in those communities and asking them what their needs are and then catering the products for lending institutions. So I won't use all my time. Thank you.

REBECCA COHEN: Is Lorraine Kindred here? Okay, no. Then moving, on Dolores Golden?

DOLORES GOLDEN: Good morning everyone. I am Dolores Golden from the Multicultural Real Estate Alliance for Urban Change based here in Los Angeles. And we are comprised a little differently. We are real estate agents, brokers, appraisers, mortgage and loan brokers, escrow people and title. And we formed together to stamp out redlining and predatory lending.

And as most of you saw on the way here in tent city all around downtown, black home ownership is in tents now. So this is a critical, critical mess right now. And we've got to do something about it. Programs are not the only thing that's going to help. We have got to educate. We have got to educate the kids in school because we have got a whole lost generation of parents that are either living in tents with their kids, they are in line at Starbucks or they are in line at In and Out Burger. So it's not just young black people. It's young people, period. So if we don't pay attention, their kids will never leave home. If that doesn't scare you.

Some of the things like I thought about is, it’s like a stop sign now. Number one is gentrification. It's killing black and minority communities. White people are coming back where they used to live, where we couldn't live. But now it's killing us because we are moving to Lancaster, and Palmdale -- that's where the people that are here in Los Angeles area know that area. We have rural areas surrounding us. There are no jobs out there. So it's useless to try to go out there unless you are retiring.

People that we see on the ground every day that come into our offices, that come to our home buyer events, that can't buy homes because number one they have got IRS tax issues or they have got student loans. And they’ve got a college degree. They’ve got student loans and Fannie and Freddie won't subordinate student loans, nobody will. So what are we doing to do? We've got to do something about student loans. We send the kids to college, they come back educated, they get a job. Even if they get a good job, paying $100,000 a year. How are they going to buy a house? So they will be renting.

A good case in point on rental is Englewood. All of a sudden Inglewood is on the map. So people that are paying a thousand dollars a month, their landlords are charging them $3000 a month for rent. How are they ever going to buy a house?

The other thing is medical bills. If it's not for them or their family members, as a caregiver they're stuck with this high medical cost. Don't go to the emergency room. 1500, you've got to get your friend to drive you there.

The other thing is car notes. Everybody is driving a Range Rover, a Mercedes. Why? Back in the day our parents drove a Ford or a Chevy until it fell apart. This new mentality about the car purchase is something that the Realtors are addressing. We've got to educate our kids, because the car first is not going to work.

My green light, is that we've got to bring education back to our kids and banking in schools. In my day, of course I am a little older, but we used to have savings at school where you put in a dollar a month or something. We've got to bring banks back to schools. They need to know what a bank is. They think they just go shopping all the time and they never get a bill. So when they finally get a bill, they don't pay it on time. Then they got bad credit. So we have got all kinds of issues, not just for black home ownership but young people, period, that we need to start working together. And there’s a lot of community organizations that we need to partner with and get the word out. So that's my story and I am sticking to it.

DOTTIE SHEPPICK: Okay. I am going to just outline my remarks so you get where I am going. My remarks are focused on single family and with the understanding that Duty to Serve is flexible, in what we focus on, and then my remarks are organized in two segments. One is about a specific program that is primarily focused for higher value areas like many in California and then the second segment has more of a national focus with a specific ask.

My again name is Dottie Sheppick. I actually am an owner of a consulting company for about three years after spending about 30 years working to develop affordable housing products and programs. I want to thank the Federal Housing Finance Agency, the Federal Reserve Bank of San Francisco, Freddie Mac and Fannie Mae for the opportunity to voice my support for

Duty to Serve, both as an individual and as the owner of a company that's focused on affordable housing programs and other niche lending.

As I said, I spent about 30 years doing this type of business, creating programs that responsibly serve the first time home buyers and other specific markets and I believe all housing stakeholders can do more to develop lending programs, particularly public/private partnerships, and to educate those who have to implement those programs, market them and explain them to consumers.

Lender reliance on a low interest rate market has created an environment of less lender interest in the affordable housing programs because they take more time and support from the lenders while providing slimmer margins. In other words, entrepreneur purchase money approaches that are combined with deeply embedded credit requirements, they are not looser credit, need stronger encouragement and re-enforcement by all of us.

The Duty to Serve focus on manufactured housing, rural areas and affordable housing preservation is appropriate. Absolutely these are needy markets. However, we have an affordable housing crisis that's national across so many more segments and we have many under-used and already-developed solutions. I believe a stronger focus on the development of first-time home buyers and move up buyers is just as important to make a dent in the affordable housing crisis that exists across our nation. I see homelessness among those who are sadly addicted and people suffering from mental illness, and I also see tragic living conditions for working families.

And while jumping from homelessness to home ownership isn't the right answer, certainly we need the right mortgage products and programs that can help spur that path, the ability to move people along to safe housing, safe rental housing, and first-time home ownership.

Again, there are two topics I want to comment on. The first is a specific affordable housing program known as inclusionary zoning or resale price restrictions. And one of the reasons why I decided to discuss this product today, or program today, specifically, is because I live and work in California, at a national focus, but this is where I live.

It is the practice of requiring new development to include a certain percentage of units to be sold to low- and moderate-income families. In very high-income areas like in California those low- to moderate-income families are the teachers, the hotel workers, the first responders, but they cannot afford to live anywhere near where they work. The businesses need them, and they need the work, but both suffer due to the impact of ridiculously long commutes.

The way it works is that the inclusionary zoning units will be sold at a price below market to qualifying buyers. So throughout a development, a certain percentage is set aside at a below market sales price. The buyer who would otherwise not be able to achieve ownership now has the benefit of buying closer to work or school or in the neighborhood they have always lived in, but the prices have climbed too high for their income to qualify. I like your idea, Nikki.

The initial below-market sales price benefit must be passed along to subsequent buyers. So there is a deed restriction that is recorded that spells out the program benefits and limitations. The main limitation being that the buyer will have to sell their property to another qualified buyer within the program and they don't have the ability to sell at market value. They not only need to have a very clear understanding about before they close their deal, they need to have somebody to talk to when they get ready to sell. And that's one of the problems we are seeing.

In many California communities the inclusionary zoning policies are already making a difference for the initial buyers. But just like naive borrowers who got into sub-prime programs, thinking or being told they could handle the plan changes, many buyers in inclusionary zoning do not have a deep enough understanding of the limitations they are signing up for. And when it comes time to ask questions they can't find the answers.

They might find their original loan officer or maybe they won't. Even if they do, he doesn't have, or she doesn't have the answers. And there is no longer anyone at the developer's office so they can't find the answers there. And sometimes they ignore the inclusionary zoning deed restriction and sell outside the program with the title company and the subsequent lender not having the right process in place to identify a resale price deed restriction. So now you have lost, you have no longer preserved that affordable unit. And that where is so many of these programs can fail. There are too many of these programs where there is no ongoing monitoring and support for the buyers of the resale price-restricted units.

In addition, this gap is where many lenders fail to comply. And why they shy away from things like inclusionary zoning originations of the loan. The industry needs programs with consistent eligibility criteria, model equity growth invest language, recommended policies and procedures, suggested processes for lenders, loan officers, title companies, builders and government agencies. We need to develop a more encompassing ecosystem for these programs to encourage building of affordable housing. We all know we need more stock. Home ownership for first time home buyers can more (unintelligible) participation.

The second topic I want to cover is really all of the different types of affordable housing programs which I think of as programs developed and offered by state and local housing finance agencies, non-profits and employers. The programs are funded through tax-exempt bonds or other government and private funding sources, and can be structured with a wide menu of pay-back provisions, forgiven over time, programs provide down payment assistance. They might have deferred repayment terms of the loan, forgive the balance over time, amortize the balance with zero or no interest, or provide for a share of equity. So there is a wide menu of what funders can use.

And there are other affordable programs such as mortgage credit certificates, which gives the borrower a break on their federal tax obligation. Section 8 Housing Choice Vouchers that provide monthly mortgage payment assistance. These programs are not standalone subsidy programs. They are combined with standard government or conventional first mortgages with established underwriting criteria, property standards and the loan can be insured and guaranteed and then sold in the secondary market.

For all the affordable programs, the industry needs more consistent eligibility criteria, to your point as well, Mark. Model pay back language, recommended policies and procedures, suggested processes for lenders, loan officers, title companies, builders and government agencies. And, again, we need to develop a more encompassing ecosystem for these programs to encourage building of affordable homes -- of affordable housing, home ownership for first time home buyers and very importantly more lender participation.

In closing I have my ask. I want to ask for consideration under Duty to Serve for more far-reaching education and affordable housing program support. We have existing programs. But we need deeper participation by lenders. We need to educate the lending industry, the insurers, real estate professionals, nonprofits, government agencies, regulators and elected officials about the existing programs and how they can be more fully leveraged to increase profitable and responsible purchase market opportunities. Deeper participation to bring consistency to the implementation and ongoing monitoring and managing of the programs.

I want to say thank you to Freddie Mac and Fannie Mae for your ongoing support of affordable housing programs and the work that's currently being done to create your consistency and I hope you can continue to do more. Thank you.

FRANCESC MARTI: Hello. My name is Francesc Marti. I am the Legislative Director of the California Housing Finance Agency. Thank you for the opportunity to speak here today. So my comments will cut across the different sections and they will bring you the perspective of a state HFA.

Cal HFA is part of the National Council of State Housing Finance Agencies -- NCSHA, all of you know very well. And at Cal HFA specifically we administer a really robust single-family program. We offer downpayment assistance for first-time home buyers up to 150 percent AMI. And we also have a growing multi-family business that is focusing on mixed-income development. And we’ve got a number of state (unintelligible).

So our state-chartered public mission is dedicated to financing the housing needs of underserved populations and communities. HFAs are natural partners of Freddie Mac and Fannie Mae in their Duty to Serve missions. So both Fannie Mae and Freddie Mac are currently working with HFAs to meet their Duty to Serve missions. Such partnerships have proved (unintelligible) to families getting support for manufactured housing lending and resident-owned manufactured housing communities and lending to low- and moderate-income families.

As Fannie Mae and Freddie Mac prepare to enter their second Duty to Serve Plan cycle, we encourage each firm to continue to seek opportunities to collaborate with HFAs and establish open channels via which the HFAs can approach each entity with possible Duty to Serve (unintelligible).

We want to thank FHFA for allowing Fannie Mae and Freddie Mac to resume housing credit investment and for awarding the GSEs Duty to Serve credit for making such investments to qualifying rural areas. Housing credit investments have proven to be one of the GSEs’ most effective strategies for serving the housing needs of rural Americans. The GSEs’ presence in the market actually came at a very critical time as the lower corporate tax rate in the Tax Cuts and Jobs Act of 2017 affected the funding of LIHTC. The housing credit market for projects based in rural areas faces other challenges including lack of investors and the need to lend at lower rates to meet program standards, that made the GSEs' involvement all the more critical.

We encourage the GSEs to continue to make housing credit investments as 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 housing credit investments that support other Duty to Serve mission areas such as manufactured housing or affordable housing preservation.

So Duty to Serve, the (unintelligible) actually allows the GSEs to receive credit for the purchase of tax exempt housing bonds as well, multifamily bonds and MRBs, as long as the GSEs can demonstrate that the loans financed by the bonds assist very low-, low-, or moderate-income families in particular underserved markets.

So the GSEs don't bring to their loan purchase requirements, any credit enhancements (unintelligible). So far housing bonds have not been part, 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 on housing bonds do not line up with the income requirements on Duty to Serve.

So we would urge FHFA to consider how it can amend its Duty to Serve requirements for housing bond purchases to give the GSEs and HFAs more flexibility so that the full potential of GSE investment in housing bonds can be realized.

We also encourage the GSEs to consider how they can work with HFAs to utilize housing bond investments within the current requirements of the Duty to Serve rule, including through specified pools containing loans that meet one or more of the Duty to Serve activity requirements.

So now turning to rural homeownership for a second. FHFA has a strong track record for responsibly and sustainably funding affordable homeownership lending to low- and moderate-income borrowers and underserved communities. FHFA and the GSEs have both recognized HFA seller performance in this area and both entities have offered special HFA programs with preferred pricing and other benefits. And FHFA has encouraged both firms, in their initial strategic plans, and scorecards, to continue to work with HFAs.

So the recent announcement by both entities to restrict pricing advantages to special HFA programs to below 80 percent AMI, creates some problems for California's moderate home buyers, especially in rural areas in which the housing cost is still very high.

As you know California has been ravaged by several devastating wildfires over-- year after year and many of these communities are struggling to rebuild. And so, at CalHFA for instance, we have expanded our lending program to non-first-time home buyers that are displaced by these disasters to be able to help them. So our request, you know, would be to revert these restrictions on the pricing advantages on the special HFA programs across the board. But we would request both entities to specifically look at how this change affects underserved communities, both rural communities and communities of color. At CalHFA we serve-- about two thirds of our borrowers are traditionally underserved borrowers of color and we think that this change actually has a really negative impact on this population.

So then finally I want to speak a little bit about manufactured housing. The HFAs recognize that manufactured housing has an increased role to play in addressing our nation's affordable housing crisis. The GSEs have already engaged several state HFAs on various manufactured housing pilots through Duty to Serve. And similar to what I said about rural housing, we believe that this pilot (unintelligible) HFA products to below 80 percent AMI can actually be detrimental to some of the manufactured housing – what we are trying to do in the area of manufactured housing. So, you know, I would urge both entities to look at the impact that could have. So (unintelligible) to working with HFAs to find credit for resident owned manufactured housing communities, which are one of the few strategies available to help manufactured housing (unintelligible).

So I will conclude with that. I just want to thank both entities for their partnership and look forward to continuing working together. Thank you.

MARK ALSTON: Good morning. My name is Mark Alston. I am member of the National Association of Real Estate Brokers, NAREB. I am sure some of you are familiar and some of you are not. NAREB was formed in 1947 at the end of World War II, when black soldiers and their families were trying to find housing and met with insurrection, protest and riots and were unable to get housing. So both from a consumer and a professional point of view, we formed an organization that fights for the rights of housing opportunity for black people. So today I stand to represent specifically the interests of black folks in this country with regard to housing opportunity and mortgage opportunity.

Duty to Serve implies in the Housing Economic Recovery Act of 2008 a requirement for the GSEs to provide mortgage opportunity and liquidity for the very low-, low- and moderate-income America, including having a low market interest rate and other products that may not provide the same revenue as other demographics. That's what I am not seeing happen.

I heard somebody say data matters. And I'm a data guy. So third quarter Census homeownership rate by rate in this country, 73.4 percent for white, 58.5 percent for Asians, 47.8 percent for Hispanics and 42.7 percent for blacks. Up 2.1 percent for blacks, but, you know, it's a mathematical equation if I have one and I get two that's a hundred percent increase. So when I am on the bottom of the barrel I am cautious not to celebrate an increase at the end of the primary housing market.

What I have noticed is that over from 2017 to 2018 total loan production in this country has gone down. Also from 2017 to 2018 approval percentages have gone down. That indicates that there is a tightening of the requirements and criteria in an increasing economic environment. We have lower homeownership percentages which impact and affect our community even more than others.

Additional data, and long-time black home ownership is 21.4 percent in the City of Los Angeles. Average income in America, $91,000 for Asians, $70,000 for whites, $51,000 for Hispanics and $43,000 for blacks. Average FICO score in America—this is data—745 for Asians, 734 for whites, 701 for Hispanics and 677 for blacks. Why does that matter? Because we have gotten into, since 2008, a process of risk-based pricing. Loan level price adjustments, which is really what I want to talk about.

I testified before the House Financial Services Committee in 2010. In an FHA hearing I talked about loan level price adjustments and their potential impact to build a barrier as opposed to a bridge to housing opportunities and mortgage opportunities for lower-income Americans, which as it turns out, blacks have five and a half cents nationally for every dollar that white people have. And in Los Angeles, in a study financed by this very institution, the Federal Home Loan Bank of San Francisco, for the Asian American Realtor Association in Los Angeles, is one cent for every dollar white people have.

So then we have a policy instituted April 2008 that requires that if you have a lower down payment and a lower FICO score then you pay more for your financing than the same person with a higher FICO score and supposedly, I guess, it's risk based.

Prior to 2008 there was no change. If you met the threshold, if you were approved you had access to all the pricing and all the rates being offered. Fannie and Freddie got in trouble. I need to say that the National Association of Real Estate Brokers has been a proponent, has been an opponent of any legislation that eliminated Fannie Mae or Freddie Mac. Why? Because the Duty to Serve and affordable housing goals were not included in any legislation that was proposed by anybody across both the Republican and Democratic spectrums. So it was important to us that Fannie and Freddie be recapitalized, put back into place, hopefully with instructions to stay in their lane. To not buy outside of things that were underwritten to their criteria. Because when they did, they did actually get into trouble.

Now, since 2008, I think it's $191 billion that was disbursed to Fannie and Freddie, taxpayer dollars, whatever. But Fannie and Freddie have provided $297 billion in return. $106 billion has been swept into the Treasury, not providing any housing opportunity, not providing any program. I think that the American taxpayer has paid enough back and it's time to reconsider the loan level price adjustments that are disparaging, not intentionally, just based on the numbers.

The average FICO score for a black person, or black family in America is 677. Average FICO score for a white family is 734. At 734 the loan level price adjustment on a purchase at five percent down is five and a-- half a percent. At 677 it's 2.25 percent. The difference is 1.75 percent in cost. You are putting five percent down you already do not have enough money, or any more money, due to you are the lowest paid, the lowest net wealth. You have housing opportunity, you meet the threshold. The difference in payment between the two because you raised the interest rate in order to cover the cost because you don't have the money is $271 a month on a $500,000 house which is not in a great neighborhood in this city. $271 a month. $97,000 you paid additional over the life of that loan.

And then here recently we’ve added this to PMI. Now you pay PMI, FICO score-based as opposed to just factor based, based on down payment. That kind of got slipped in. It used to be you put five percent down, the factor was take the loan amount, divide that by twelve, that's your payment.

Now you have a 734 FICO score, your factor is a half a percent, you have a 677 your factor is one percent. That means you pay double for your PMI. $15,000 over the price of what -- over the price loan of the higher FICO score person in eight years. I figure eight years because you refinance or have enough equity.

These have created, whether they were intentional or not, racially disparate programs that are -- and opportunities that affect the lower sector of America the most.

Now I am talking about black folks. But the truth is if we can get this fixed, it will benefit all people. Ever since in 1865 when Major Gordon Granger sailed into Galveston Harbor and announced that the slaves were free, the relationship had changed, what used to be slave and owner is now employer and employee, there have been restrictive financial policies or covenants or government instituted housing that restricted home ownership and kept it like it is, from racially exclusive zoning, the private covenants, the government instituted red lines. All those things have happened and they were overt.

Now we have financial policies that are covert and they can't be seen. I am both a practitioner and a policy person. So for what I see in policy I sit down and I see on my desk.

One of the things that nobody talks about, we talk about purchase money, refinance money and this low interest rate environment. Black people have not had the opportunity to lower their interest rates, pay off debt, pay off school loans, because the loan level price adjustments can be as much as three or four percent if you are taking cash out and you have a 650, 660, 670 FICO score. It is egregious. It pushes them to FHA which, of course, is a high-cost mortgage.

I would encourage you -- I was involved in the formation of HomeReady. I met with Jeffrey Heyward - first time I talked about HomeReady to Fannie Mae I got put out. I mean, first time I talked about loan level price adjustments at Fannie Mae, they said we could talk about that. And at the end of the day the, having no loan level price adjustments over 680, and capped at one and a half percent under 680, I believe was the result of our advocacy. Those were a step in the right direction. We need to keep stepping in that direction if we are going to ever solve the gap, the 30.7 percent gap that represents a difference in wealth in America between blacks and white homeowners. Thank you for the opportunity.

JIM GRAY: All right. Thank you. That was a very good and lively panel. So now we are at the point in our program where this panel can ask questions of the people who just presented. Do you all have questions? Anyone?

MIKE DAWSON: Yeah. Thanks again for all the great comments. Really appreciate it. A couple of things that I wanted to follow up on, a few comments that we heard about education, financial literacy, and outreach activities for the whole mortgage ecosystem. One of the things that we find is, as you see, there’s a lot of constituents in this market, a lot of participants in this market, and how can we get our message out and resources and others -- because if people aren't aware of them, they can’t take advantage of them.

So, we have teams out that work with housing finance agencies and nonprofit organizations, loan officers and real estate professionals, and with your organization, NAREB’s organization and other organizations out there. And we have an abundance of resources available on our website also, FreddieMac.com, that you can access at any time. But, again, we also have the ability to be at pretty much any venue, anywhere. We've got teams scattered across the United States to support organizations, sitting in this room, too.

I just want to make sure you’re aware of that. Because I know everybody is inundated with information, resources (unintelligible). So my question is around are there other areas that we can focus on communication, from a resource standpoint, and other capabilities we as an organization can help support those needs? From what I heard many of you are not hearing about that. But are there other venues, anything that you find that we can help in that area?

NIKKI BEASLEY: So I would say, yes. To speak to how you get information out or even have the information on the website, my comment specifically was in response to Duty to Serve's piece about technical assistance support, things that go (unintelligible) funding, things of that nature. So I think we need to have a better attachment to again, the organizations, to even know these resources are available.

And as far as access, our organization has put on two events for Freddie Mac in relation to our relationship and partnership with institutions. We would not have been engaged in that relationship if it was for those institutions. Again, it becomes, if you don't have the right relationship, you might not get that access. So I don't really have an answer to how it's done, but I do think that there needs to be more engagement or purpose engagement.

It's always surprising to me when we sit in meetings where there is a regulatory conversation where: well, we reached out to nonprofits and we didn’t know where to find them. If you went to the HUD site and looked at all the housing counseling agencies, we are there. So I think it has to be more purposed and diligent and making sure that you make the right relationship.

DOTTIE SHEPPICK: I would like to respond as well because, Mike, I just want to say that the Home Team Advantage events that Freddie Mac is currently offering, has been offering across the country, as you know, are fabulous.

And these events bring in nonprofit groups, government agencies, lenders, real estate agents, they bring in the whole again ecosystem of anybody who is interested in making sure that financing is more widely available. They are so fabulous. The only thing I can say is that when you think about education and making sure that everybody knows about the kinds of programs that are available and the products you guys have and the ways of layering financing that people don't really think of, that's such an excellent way to get all of the providers and practitioners together. So I just want to say that I love that idea. Maybe increasing it and maybe even, you know, instead of 100 people in the room maybe get 1,000 people in the room. Work on it for six months with professional marketing or something. I don't know how it could be better. I think that's a really effective way of doing it. Thank you, again, for that.

I also want to comment real quick on the work that both-Freddie has actually sponsored but Fannie Mae is working on too, to bring consistency to the documents. Just more of that. More of that. We need more and more and more consistency across all the different programs in order to encourage markets.

MARK ALSTON: In the early 2000s I had the privilege of being a pilot company for the My Community Mortgage. (unintelligible) but with time as the West Coast business manager for Fannie Mae. What I wanted to say was, there were television ads, there was broad-based television marketing that excited the public. And in this environment, our people are suffering from the recession mentally still. And we've got to change the perception and the dynamic that it's okay to buy. That what happened to your parents, won't happen to you, or what happened to you before. If you pay rent, oh that's negative, let's buy a house. I think that the GSEs need to engage in broad based television marketing that puts a positive message out.

JIM GRAY: I have a follow-up question to Mike's question. So from the agency evaluation standpoint one of the things that we wrestle with, you know in Duty to Serve we have four different things that we look at. We look at outreach, loan product development, investments and then loan purchases. And more frequently than what we are hearing, I think, from you all is that people will say, well, there is not enough emphasis on loan purchase and there is too much emphasis on outreach. And so I am hearing you almost say the reverse. And I would like to hear how do you think, when we are -- there is a limited number of things that can go into a plan. They can't do everything. And so when we are evaluating outreach versus loan purchase, say, at the two ends of the continuum, how should we think about the value that we put on those competing priorities?

MR. ALSTON: You know that's -- I understand what you are saying when you are prioritizing, how do you budget? In my community if you look at the disparity in loan purchases that come from my community then we have a perception problem. And, again, I speak for that particular community. So while we do need programs, we absolutely have to have programs to put them into, but demand creates more programs too. And so if you create the demand then the programs will follow. And so I believe in exciting the populace to create the demand, and the programs will follow.

I agree that you have to give some thought with regard to how you budget and how you prioritize. But to date I am not seeing anything, not on a broad base. To the professionals, yes. To the organizations, yes. But we need to recreate the excitement in the American dream of home ownership. And this market is particularly tough. But nationally, and if we speak nationally, in other markets it's not tough at all.

MARK ASTURIAS: I would look at your question and say that they are equal footing. It's more, as Dottie had pointed out, it’s more the strategic placement of the effort. Because if you can do the outreach and you can target the outreach so that the people on the ground that are doing the work understand the programs and how to implement them. Then your idea can increase the volume, which is what we are looking, in Duty to Serve, as far as I am concerned we want to see volume increase.

But if the people don't know how to use the product that's out there, the lenders don't know, and believe me I can tell they don't know. It's not that the corporate manager doesn't know, the guy that does the loan doesn't know. I have to train them. Then I have to go to the next bank. Because I can't give my buyers one lender to use. I want to give them multiple lenders to use. And if I have to train three or four different lenders because three or four lenders don't know the programs well, the guys on the ground, the boots on the ground, you are not going to get the volume that you are trying to achieve. So I think you have equal footing on both, you just have to be – as Dottie says, and I agree with her – strategic on how you do that.

NIKKI BEASLEY: And one thing I didn't shared when I was up there, that I am a recovering and retired banker. So, and I share that to say, if you don't inspect, then the inspection doesn’t get done. So if there is a requirement for the GSE to do these things, what is the reporting back to be able to say, we sent out whatever it is the action to demonstrate the activity, to be able to understand: is what they are doing making an impact? Versus, as I said earlier in my comments, it’s said there, but what is the validation that it is happening and did you just pick up the phone one time or did you call all 300 (unintelligible).

JIM GRAY: Any other questions?

CRYSTAL BERGEMANN: I have a question on the multifamily side for Francesc from CalHFA. So, at Fannie Mae one of the areas that we are really interested in is- because housing issues are so often local, we are seeing a lot of the most innovative programs and policies happen at the local or state level, often from HFAs. So you mentioned a growing multifamily focus on mixed-income. I would love to hear just a little bit more about that, and how we can help face these challenges.

FRANCESC MARTI: Sure. I will give you a brief description of what we are doing. A couple of years ago the state had a permanent source of affordable housing, referred to as SB 2 or (unintelligible). It’s a recording fee. So 15 percent of that, which comes out to about $40 million a year, is dedicated to CalHFA for multifamily programs, new construction up to 120 AMI.

So on top of that, this year the administration, the new governor, has a strong interest in mixed-income, multifamily housing. So this year’s budget proposed by the governor and adopted by the legislature-- in addition to the permanent source, is providing $500 million over four years for CalHFA for a comprehensive low- and moderate-income multifamily strategy. And the majority of that is-- we have been able to (unintelligible). So we made the first award over the summer, and there’s eight projects, I think it’s about 1,300 units.

And we are currently retooling our program. Actually I think the new term sheet is coming out today, to be able to deploy these additional resources and (unintelligible) the program. (unintelligible)

And on the other aspects as well, we turbocharged our state LIHTC program. We had a $100 million a year state LIHTC program in California and we (unintelligible) to $600 million. And $200 million of that is reserved for CalHFA’s mixed-income projects. So there is a substantial, substantial amount of resources going in to mixed-income. So that's, I mean, how you can help-- that's something I would probably have to think about. Definitely appreciate the question.

CRYSTAL BERGEMANN: Just to clarify, for the individual projects, they have a low income point and up to what point?

FRANCESC MARTI: Up to 120. Yes. Yes.

CRYSTAL BERGEMANN: Thanks, that’s helpful. We can follow up.

MARK ASTURIAS: I also want to say that we are looking at a (unintelligible) program, but we took our first step in looking at the LIHTC program (unintelligible), with the recent change that allows income averaging over up to 80 percent. We (unintelligible) our first new construction project using that program and it's really been helpful. But it was an extreme challenge to figure out how to use it. So my only comment to you is, once you two talk and you can come up with an idea, make the implementation a little easier than the last go-round.

NATE SHULTZ: Mark, question for you. You mentioned that you would like the GSEs to, as it relates to (unintelligible) of shared equity programs and stuff like that, making investments, can you talk more about that? Are you envisioning that as a multifamily approach? Or, what are your thoughts there?

MARK ASTURIAS: Both. But from the Community Land Trust Network, from the (unintelligible) which is home ownership, the priority is home ownership. We have not been able to scale to home ownership like we would like to. We have seen that it is incredibly difficult, over the comments that I made earlier about informing lenders, making sure they understand how it works, and particularly when we are using a ground lease model.

So Fannie was awesome when they came up with the Fannie

Mae rider to the community land trust ground lease. I know Freddie is looking at that as well and may have actually already come up with that, I actually haven't looked at that recently. But having those tools in place so that that communication works to allow that to scale up has been a goal of ours and we expect, from what we are seeing now in California, we expected to see a growth of the movement of the community land trust model.

You may been witnessing it yourself, you may be wondering what is the average cost? We stayed away from home ownership in our particular area because it was so costly. And we couldn't get any financing and our home buyers were having problems getting loans. So we started out in the rental market. Now that we've gotten our feet really wet, and know how to do that project (unintelligible), we are jumping into the home ownership market. Our first project is a townhome development. So now you've got legal structures that Fannie and Freddie are both going to look at and they're going to go, this is not traditional single- family detached on a separate lot concept.

So when you are looking in your programs, you need to also understand that in markets where you are on the coast, particularly, you are going to attached product in home ownership, that's where the State of California is driving everybody to go. To density. And the only way you achieve density is an attached product. So try to figure out how to help us develop information for home buyers that are going to be in attached products with an HOA, with a ground lease, with a ground lease restriction, with a Fannie Mae rider or a Freddie Mac rider, and simplify it for the lender. Because if the lender doesn't appreciate or understand it we are not going to get the mortgages for our buyers.

NATE SHULTZ: Well I have good news for you. We'll already do those with land trusts, whether you're in a PUD, or condo, or attached unit. We can talk more about that but we can certainly help in that regard.

MARK ASTURIAS: Excellent. Because I've got it coming out of the ground next week.

MIKE DAWSON: I was just going to add exactly that. We have done some already up in Sonoma County with (unintelligible) and the housing trust up there as well. It's working perfectly and the regulatory agency of the county is actually now requiring it. So it's become an incentive for developers to develop that way. And it's proven very, very successful.

Now, it (unintelligible) on the lender, I agree. But I think that's part of what Fannie and Freddie can do.

DOLORES GOLDEN: I have a question if I may. On the manufacturing homes, because we in the field see that as the new entry level for first time home buyers, but, you know, they can't do 30 percent down. But if you can give us a little spiel on what kind of manufacturing home financing there is.

MIKE DAWSON: Sure, I can give the spiel. You know, all the points you just hit on. That homeowners-- from a national perspective we are all going to be suffering for the next many years in the future from a shortage of well-built affordable housing. And, you know, the housing industry itself is changing and is going to continue to change rapidly through the adoption of different forms of construction. That’s because of, you know, a variety of things – we have regulatory costs, labor costs, lack of skilled labor in some cases, and material costs. And the solution out there right now, it's available – whether through panelization, forms of factory built house, housing through HUD-certified homes, or modular built homes, even container homes, and other forms out there that other countries are readily accepting of and it's a higher percentage of housing availability.

And the work, you know, the work that we have done with the industry overall, everybody involved in the factory-built housing industry, and issuing our product called Choice Homes that allows up through five percent down for a grant through our Home Possible program -- actually we go to three percent -- excuse me – in our Home Possible program. So it’s not a great percent down, you know you still have to meet certain specifications to get in there. Again, that's for a HUD-certified manufactured home.

We also buy upwards of $800 million a year of other real property manufactured home loans. So we are going deep into these markets because we believe, just as it sounds like you believe too, there is other forms of housing out there that is safe, that's affordable, well-built and energy efficient. So we think it's going to be our (unintelligible). I think the programs that we’ve issued in the market, the industry itself is catching up to -- you need to catch up from a capacity standpoint to be able to supply these loans (unintelligible).

But it’s also the familiarity of these things. Departments of zoning and municipalities and others have this notion and perception of manufactured homes. But they haven't

-- not all of them have seen the capabilities, the style, the aesthetics of today's manufactured homes. And once they see it in the neighboring community, I think they are more welcoming for developers and other to bring that style of home. So we are doing a lot in this space. And we are allowing it into our mainstream programs. We are giving all the benefits of a site-built home to manufactured homes, as long as they meet certain specifications. Does that help?

DOLORES GOLDEN: Yes. We just have to get that to the lenders.

MIKE DAWSON: Yes, it’s to make sense for the lenders.

JIM GRAY: We are getting ready to have a whole panel on manufactured housing next. I just want to see if there are any more questions on preservation. And you all will have a chance to ask questions next. So let me see if there are any other preservation questions.

COREY ABER: Yes. I wanted to ask about research a little. So in our first plan, at least on the multifamily side, we have 20 research papers that we are doing for a variety of audiences. One trying to lay a groundwork of understanding, a lot of us in this room understand things about the markets, but we are trying to reach, and inform, much larger than that - from our investors, from the practitioners in our lender network, not just academics and not just advocates. So are there areas that you would like us to focus our research on in the next plan that would add a lot of value and bring the level of knowledge up across the (unintelligible)?

MARK ASTURIAS: I am going to jump in real quick and just say that from a Community Land Trust standpoint, if you had the ability to research the kind of segments of the shared equity programs, and identify what the production has been in the different shared equity programs. There are deed-restricted programs, there are municipality programs that are short term, there are land trust programs which are permanent. What has been the production out of those different areas? Because then you might get an idea of where you need to focus your attention to support increasing the scale of those programs individually.

NIKKI BEASLEY: And I would just say that, things are at a point that we all know what the problem is, so for research to just kind reiterate what we kind of already know, it would be great to add the best practices of how to address the issues that are coming out in the research so that we have some practical tools. So that if we take the time to read it, we can walk away with some solutions versus the ideas that already are validating what we already thought to be true.

NATE SHULTZ: One more question for Nikki. You mentioned financing (unintelligible) and rehab on the single-family side. Tell me more about that, what your thoughts are.

NIKKI BEASLEY: So for our organization, we would appreciate being able to acquire existing properties that would either need to be rehabbed, are still standing, to either hold for our rental portfolio, we can continue to have a (unintelligible) for rentals, but also have the opportunity to purchase those properties to hold for home ownership. And being able to have a product to where we have easy accessibility. And to also figure out how to (unintelligible) a platform of products to where an organization like us has a place in this conversation. Because right now we don't because of our structure.

As far as the development piece, what we are learning, as I’m sure everyone in the room knows, whether you’re building for affordability or for market-rate it still costs the same, doesn’t it? So right now we are dealing with the gap financing. If you want to keep it affordable, the cost is the cost. But if we want to keep it at $475, under a half million dollars for someone between 100 to 120 percent AMI to be able to purchase, we have to figure out where we get that money. So what are the opportunities that will be unencumbered with no debt and low or no (unintelligible) restriction so that we can build and help create (unintelligible) to pack in those costs and be able to get it to market. So, those would be my thoughts.

NATE SHULTZ: Any thinking of individual unit-specific financing or blanket financing?

NIKKI BEASLEY: So for us it's construction financing to be able to build these seven homes all at once. We are not using the land trust model, we are not using the ground lease. We just want to build and sell them and keep things moving, so that’s what we’re thinking.

MARK ASTURIAS: To piggyback on Nikki real quickly, one of the other things that we have to look at on the shared equity programs, be it CLTs or a general program, is how you look at the capacity of the organization. Many CLTs and many shared equity programs are relatively new with limited track records. So if you can appreciate, giving them some space in that arena, of not just saying, well you’re too new and we’re not going to work you, that would be appreciated.

NATE SHULTZ: That's actually something that we've done some work on and provided some variances to some new CLTs that have been set up, realizing that they have the professional expertise on staff, although the entity hasn't existed that long. That's something that absolutely we are currently providing flexibility on and are looking to codify in our selling guide as well.

NIKKI BEASLEY: And a last point that I'll make on that, is also understanding that we're unicorns in this market. Anyone thinking about infill, small scale homeownership projects, there is not many out there, so there has to be some flexibility for the organizations that are coming, that are mission-based. They are not going to look and feel like a traditional developer, so there have to be some accommodations available.

JIM GRAY: Okay. I am going to let Nikki have had the last word there for this excellent panel, a great dialogue afterward too. So why don't we give this panel a big round of applause?

So now we are going to take a ten minute break and I am going to ask the people who are on the second panel, before the break ends to please take your seat at the middle table.

--- BREAK ---

JIM GRAY: All right. Can I have your attention please? I think we are ready to start our second panel. And it looks like everybody did what I asked and the panel has come to the front of the room. I believe our first speaker on the manufactured housing panel is Susan Brenton. Take it away.

SUSAN BRENTON: Good morning. My name is Susan Brenton. I'm the Executive Director of Manufactured Housing Communities of Arizona, or MHCA. We have been around since 1947 and representing the community owners. I would like to thank you all for having us here today.

You know, I have represented now the community owners for about the past 16 years in Arizona. I’ve got a well-rounded background, because prior to that for 18 years I actually represented the residents who lived in the communities. I have also served on the manufactured housing committee; I ended my service there as chair. I am currently the secretary to the National Association of Manufactured Housing Community Owners, and I have also served on several state and local committees including our City of Mesa, Arizona Housing Committee.

You know, I think that one of the biggest issues that has faced us in the last few years and in our communities is the SAFE Act and Dodd Frank law. It's just affected thousands of communities all across the state, or all across the nation. Because a homeowner now buying a home in a community is forced to go through a mortgage loan originator, which can cost like an additional 500 or so dollars at least. Because for these homeowners, real estate loans are not available. Instead they have to go through a chattel loan, using their home as collateral, or get a personal loan. Since the residents of many of our communities are lower income, living from paycheck to paycheck, many of them just can't get a loan through a financial institution. For some the problem is coming up with a down payment and, you know, unluckily for others it's their current credit history.

Prior to passage of the SAFE Act, the owners of communities actually were willing to lend money to fund prospective tenants that came in. The residents were living in their communities, they could keep an eye on what the resident was doing. If all of a sudden rent wasn't paid, they would know right away there was an issue. I even had one community manager tell me that, you know, back then we really didn't look at a prospective tenant's credit score. Instead they looked at issues such as prior rent payments, were they on time? Were they ever evicted from a home? And how were their other loans paid?

And, you know, I think that a lot of -- I think that Fannie and Freddie both need to look at a lot of that because there are those lower-income people, (unintelligible) have the lower credit scores. If Fannie and Freddie actually worked with community owners and get to know, basically working together on whether or not the person is making their loan payments, whether or not the person is still living in the community, et cetera, I think that would be a great help.

Now, with the passage of the SAFE Act and Dodd Frank Act, a community owner that wants to finance homes in his community has to go through a mortgage loan originator, which I said costs another $500 or so. And for a lot of people that's a lot of money. I know that- I had one community owner call me, he said, look, he said, I got this home. The people just left the home there so, you know, I’ve got title to the home. I put $500 into the home to fix it up, and I’m willing to sell it for $500. I’ve got someone here in the office who would like to buy it, but they can only pay $50 a month for ten months. Can I do to that? I said, well, not without going through a mortgage loan originator and that’s going to be least another $500.

I know that we are working on legislation hopefully which will allow a seller to finance a home such as a mobile home or manufactured home community owner to sell a home or to sell up to about 30 homes per year without going through a mortgage loan originator. Because really, when you are selling those used homes in our communities, which can range anywhere from $500 up to like $20,000, fifteen, twenty thousand seems to be about right in Arizona, they just can't find loans. I mean, the finance companies -- it costs too much for the finance company to make a $20,000 loan.

And it's affected all 50,000 communities across the United States. MHC also believes that most of the requirements that Freddie and Fannie established for communities to meet their Duty to Serve plans are already in Arizona state law. We already have things such as you can't be evicted without good cause. We have a relocation fund when a community is closing. It pays residents to help move their homes or gives them cash for their homes.

I know that one of the side issues, I guess, is that we were lucky enough, we’ve got a couple of communities, now they are closing, that are on tribal lands. The tribe and I know now that you are working with tribes, the tribe has decided that they do not want non-tribal members living on their land. One community already closed. Luckily, even though it was on tribal land and not state land, the state still agreed to let those residents use the relocation funds so that they could get money to move their homes.

I’ve heard from many people who live in the other community that's on that land, it’s about 320 spaces, I guess, and these people are scared their community is going to be closing in seven or eight years. They have no idea what to do, where to go, et cetera. So that's another issue that we are facing there.

We believe that we can meet most of the requirements of Fannie and Freddie. One of them, of course, is the issue of letting residents know when a community is for sale. In Arizona we normally don't know that those communities are for sale. Typically the community is never put on the market. It's someone calling and making an offer to buy the community at the right price, you know. I have always told the residents that the residents have the right also to buy the community.

All they have to do is offer the right price.

So I am asking you, you know, to consider resolving the housing crisis we are facing today. I think there are several factors to consider when looking for affordable housing. The price of a site-built home versus the price of a manufactured home plus rent on land, versus the price of renting an apartment. You know, in the greater Phoenix area right now our apartments are going for somewhere around $1,200 a month, is the average rent. When you look at the price of renting a space in our communities in Arizona, which is an average of about $525 to $575 a month plus the price of buying a home, we are typically under that.

And today the first-time buyers particularly, and even those later in life, just don't have ten or $20,000 to put down as a down payment on site-built homes. We are offering them a different perspective here where they are buying the home and renting the land. I know that you have all heard the stories about how the value of manufactured homes in rental communities actually decreases. Well, it's not always true. And the trick is finding, first of all, a community with a good location and secondly good management, good owner.

I know working with some of you, I’ve said that, you know, the best thing I can tell you about finding communities that you would like to finance homes in, is knowing the owners of those communities and knowing how they run their communities. I remember a friend of mine called me up, he said, I am looking for a manufactured home and I found a 1979 single-wide over in Scottsdale and they want over $55,000 for it. Can they really sell that? And it's in a rental community. I said, well, you know, actually the price is probably around ten or fifteen thousand, but it's location. I said, you are paying for the location.

So I hope you will, you know, consider maybe looking for the right types of communities and all. And I think we have lots of them in Arizona. For years I’ve stated, you know, that manufactured homes in rental communities are the least expensive form of unsubsidized housing. They still are. But guess what, now we are seeing more and more of the communities that will accept subsidized housing. They are getting money for their homes, for payment for their rent, and we hope that soon they will-- subsidies will be allowed to pay for their homes.

The manufactured housing industry is producing more spectacular homes today. One or two stories, all the features of site-built homes, and (unintelligible) which are built, are at least as good and sometimes better than site-built homes. We see many rental communities updating their communities, taking out older homes as they are sold and putting in new homes.

JIM GRAY: Susan, you need to wrap up.

SUSAN BRENTON: Okay.

JIM GRAY: Thanks.

SUSAN BRENTON: I am just looking forward to the day when manufactured home, more financing for manufactured homes in Arizona becomes available. And if there is anything at all that we can do to help you, please let us know. Thank you.

ARUN BARMAN: Next up is Leah Kehoe.

LEAH KEHOE: Good morning. I want to start off by thanking everyone for being here today, the teams from FHFA, Fannie, Freddie, folks on the panel. We are very grateful to have the opportunity to share our views with you today. I am Leah Kehoe from MHI, and I am not a fan of reading prepared remarks, but there’s a lot to get through in 10 minutes and I don't want to miss anything.

MHI is the only national trade association that represents all segments of the factory-built housing industry.

Our members include home builders, lenders, retailers, community owners, managers, suppliers, and others who serve or are affiliated with the industry. We also have 49 affiliated state organizations.

In 2018, the industry shipped close to 100,000 HUD-code homes to destinations across the United States, which represented about 10 percent of all single-family home starts. The average cost of a new manufactured home without land is $71,900 compared to the average cost of a new site-built home, which is about $293,727 without land. It is the main source of unsubsidized affordable housing in the U.S. and is a critical homeownership option. It is commonly more affordable than rental housing and it currently serves 22 million people.

Moreover, MHI data shows that folks love living in their manufactured homes. MHI recently conducted a survey which indicated that two-thirds of manufactured housing residents are satisfied with their homes and are likely to recommend living in manufactured homes to others. There has been a considerable amount of time and effort dedicated throughout this plan cycle to preparing, data gathering, and developing the activities that can have tremendously positive impacts for the manufactured housing market. MHI would like to suggest that it is time for the GSEs to take these lessons and start (unintelligible) increasing the volume of their real property loans, and making purchases of chattel loans on manufactured homes to provide a critical secondary market for manufactured home financing.

The manufactured housing market is characterized by sound lending practices and high-quality homes which are built to robust federal standards. But relative to the site-built market, consumers still do not share the same financing options. A robust manufactured housing market is critical to increasing the availability and affordability of housing that is in short supply in so many parts of the country. And this depends on a liquid secondary market so that manufactured home loans may compete on a more level playing field.

(Unintelligible) the Duty to Serve plans developed and approved, Fannie and Freddie committed to start purchasing personal property loan, or chattel loans, this calendar year. Given that close to 80 percent of the manufactured housing home loans already consist of personal property loans, we do not believe that Fannie and Freddie can comply with their Duty to Serve manufactured housing without having a substantial purchase of these loans.

It's both appropriate and essential for the Enterprises to make a meaningful commitment to personal property loan purchases. Fannie Mae and Freddie Mac's initial manufactured housing plans each included purchasing chattel loans in bulk to test the (unintelligible) of the market. The (unintelligible) portion is over, evaluation of compliance with statutory GSE Duty to Serve requirements should be based on Fannie and Freddie actually purchasing such loans throughout this year. Current origination of chattel loans by portfolio lenders shows these loans can be safely underwritten, that Fannie and Freddie should be able to start safely beginning to purchase these loans.

MHI firmly believes that in order for the GSEs' chattel programs to be impactful and saleable they must be permanent and must mirror the market as a whole. A temporary program, or one that serves A-paper consumers, leaving higher risk-takers to the private sector, has the potential to disrupt the current chattel market participants. Care must be taken to minimize such approaches and to ensure the GSEs are serving a range of chattel borrowers. This is a 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, 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. Or being forced to accept cash offers significantly below the appraised value of the home.

Therefore, we strongly encourage the Enterprises to develop a permanent chattel program that encompasses a representative cross-section of the market and a cross-section of lenders. Initial chattel loan purchases by Fannie and Freddie should not just be a few one-off purchases for a few years in which they buy the safest and easiest loans. Instead, as argued in their plans, the purpose of these initial chattel loan purchases should be to regain experience with chattel lending as a part of a longer-term commitment to the product. The goal should be that this work leads to a (unintelligible) in which lenders can originate loans in accordance with underwriting standards put out by Fannie and Freddie, and that the GSEs will then securitize. It’s imperative that such a program is designed in such a way that you can minimize disruption in the marketplace so that the overall chattel loan market is broadened.

On real property, the progress made in financing is desirable, with both companies taking positive steps in the right direction. Looking ahead, MHI believes the GSEs must continue to increase these loan purchases. Congress agreed that the Duty to Serve requires the GSEs to provide leadership in developing loan products and flexible underwriting guidelines for manufactured home loans, and to increase liquidity and capital available for such loans. This would include Fannie and Freddie enhancing the number and flexibility of real property manufactured home loan purchases. And we commend Fannie and Freddie for several policy changes and variances with MH products to increase volume and we encourage continued strategies to support real property loans going forward.

In addition, MHI believes the GSEs have introduced new programs that provide affordable, conventional financing for manufactured homes with site-built features. Qualifying home features of the MH Advantage and ChoiceHome programs align closely with the industry's new CrossMod homes. With higher roof pitches, permanent foundations, garages, carports, and porches, they are virtually indistinguishable from site-built homes. CrossMod homes are a point of entry for homebuyers who would not have previously considered purchasing a manufactured home. Many aspiring homeowners are currently priced out of homeownership because traditional site-built (unintelligible) costs close to $200,000. CrossMod homes (unintelligible) discount to the market.

These homes have the potential to reach areas of the country where manufactured housing has in the past been zoned out by discriminatory land use regulations at the state and local levels. The issue of zoning is one that has the negative potential of hampering the success of these programs and the CrossMod homes. It would be tremendously helpful if the GSEs could create a strategy for assisting with zoning issues for this type of new home that qualifies for their programs. It could include educational strategies, with different elements for the state and local and national levels, developing materials, event presentations, relationship building, and attending conferences and other events.

Looking forward, MHI believes the GSEs could provide further support in (unintelligible) challenges the industry is seeing in developing the new products, specifically on appraisals and engagement issues. Appraisers seem to simply not follow the appraisal guidelines for homes that qualify for ChoiceHomes and MH Advantage. Some are negative and push back on these guidelines and some seem to be simply uninformed, but both cause delays and problems for homebuyers and retailers, resulting in an unpleasant process that some lenders don’t want to go through the trouble of dealing with. The GSEs need to come up with a more targeted engagement strategy and develop a functional solution that fits with the lender and underwriting processes, that provides appraisers with very specific instruction and guidelines.

MHI and our members sincerely appreciate the work that has gone into Duty to Serve activities and stand ready to help and support the GSEs as they take the next steps in continuing to develop a robust secondary market for all manufactured home loan purchases. A stronger involvement by Fannie and Freddie in the manufactured housing market will not only strengthen homeownership opportunities, but also offer an alternative to consumers who are hurt by unaffordable (unintelligible) or the shortage of (unintelligible). Manufactured housing is critical to increasing the availability of affordable housing in America. MHI looks forward to its continued engagement with FHFA, Fannie Mae and Freddie Mac on these issues. Thank you.

ARUN BARMAN: Is Mary Baretich here? I don't think she is here.

PHILIP SCHULTE: I have a handout here for the staff. I know when I am listening to these presentations I get (unintelligible). So anyway, good morning. My name is Phil Schulte. I am coming here as an independent person. I was formally involved with manufactured housing, some crucial aspects. One was as the Title 1 manufactured housing specialist and liaison to Ginnie Mae when it operated in the secondary market, and also chief of factory compliance and also the acting director of the overall HUD program.

So I am coming here today to talk a little bit about what I think was the most relevant issue for the Enterprises to consider and for FHFA to consider. And the first issue I put on the table would be, in addition to financing new manufactured homes there is an enormous population of used manufactured homes which do not have access to credit markets, credit at affordable rates. So it's important to look not just at next generation homes, which I commend, but also to look at the existing. And I am going to talk a little bit more about that.

The second point is if traditional eligibility and credit underwriting requirements for single-family mortgages will be applied to chattel financing for manufactured homes, it will leave a lot of very low-, low- and moderate-income Americans underserved. They just probably will not qualify. I am going to go into more detail about the credit underwriting. So that’s the second feature.

The third is really the importance of seller-servicer services, and also guarantee pricing that makes the program sustainable long-term. I think it serves everyone if this is a continuing effort in order to make this affordable housing available rather than something that stops and starts as it has in the past.

The fourth is consumer protection and education is a very important part of making this housing available. So that's also something I'm going to talk about briefly.

And the last is really that there needs to be some innovation and some new thinking on the part of the business. Because this is an established industry. It's been around for many years. And its share of the single-family housing market now is stuck in the 10 percent or similar range. Which is-- 25 years ago it was 5 percent. So in order for this to grow and take its place as affordable housing that’s more available there needs to be some innovation. We will talk a little bit about that.

The first thing is, and I am still on page one of the handout, there is 6.7 million used manufactured homes in the United States. If only two percent of them turn over and one percent want to be financed, that's 200,000 possible transactions. That's a major market. And at $30,000 or so, a $6 million market. That's something to consider in an addition to the six or seven billion dollar new home purchase, there is this underserved used home market that has many times, as mentioned, just cash transactions. That’s it.

The second part about that would be the financing costs. If you look at appendix B in my handout, you’ll look and see what the distribution is between the cost of credit for manufactured homes versus single family homes. And the differential rate, the increased rates that manufactured home buyers are paying are substantial. In other words, if you look at the single-family homes, three percent of them are over 150 basis points over the average prime rate. That same number for manufactured housing is 77 percent, versus 3 percent. So these homes, these loans are more expensive and also -- okay. I’m going to go on to page two about loan eligibility.

This should be the second part of it. The eligibility standards, credit and underwriting standards. I looked at the Fannie Mae seller servicing guide. If you look at used home transactions and what would be eligible, and they generally are fairly strict with long loan terms and these various things, requirements of various types. My suggestion would be if you could be a little bit more flexible in just looking at a loan term that’s longer than the mortgage and look at what really you want to do. You want to accomplish, you want to make sure that you are notified, that the lender is notified of when there is a problem, a default, and you want to be able to have the lender be able to sell the collateral in place and have, you know, a subsequent person acquire it. Those are what's most important really from a lender perspective, rather than necessarily the length of the loan term and some other things.

The second area is looking at credit underwriting. Credit underwriting for single-family loans that are on permanent foundations are typically -- I think the credit scores are 680, debt-to-income ratios of 36 percent, those kinds of things. Those are going to leave a lot of low- to moderate-income Americans underserved because they just won't meet those requirements. On page two of the handout, I talk about a sample idea of this credit scorecard, which is an idea to look at a particular underwriting of a loan in a more comprehensive sense. You know, strength in one area, for example, a higher down payment can compensate for maybe a debt-to-income ratio that's higher than you would like to see and you sort of look at all of these of pieces together: credit score, down payment, debt service, length of employment, all that stuff that goes into underwriting a loan would be looked at and scored aggregately. That would be one possibility as a new idea.

The other is that in the industry there's starting to be use more of automated systems. And, you know, big data. And, in fact, it’s now looking at a way to expend credit availability to underserved people. Right now, the current credit score-based model underserves forty to fifty million people. They just don't have credit scores that could be--access this kind of financing. So there are people that are developing algorithms and things and look at those. I mention one in the handout, (unintelligible) which is a way to take big data and really find ways to get very good credit, but not necessarily traditional credit. It's within (unintelligible) small credit. So that would be there.

The last is a couple on property eligibility. I am on page three, which is to talk about, a loan would not be able to be purchased if the investment has ever been moved. It says a manufactured home is a transportable structure so if it's properly moved and properly sited and inspected to make sure it's viable in that location, why have an outright restriction against anything that's ever been moved?

The other is sometimes single-wides are encouraged to be put in planned unit developments and those kinds of things. Well, these communities are 98 percent what is available. So if you are looking at just having condominiums to do these types of things, it's going to be difficult to really enlarge participation.

The third point is about seller-servicer standards. I don't think there needs to be anything different about seller-servicer standards. Manufactured housing lenders (unintelligible) the same standards as anybody else. There is no reason to do that. I also had read in some of the materials that guarantee pricing and stuff like that was difficult for the Enterprise because we don't have loan level data. Well, I could say that there is some data that has been published in financial reports of various companies that provide this, that I think can guide the Enterprises.

What it shows is that the repossession rates and things are higher, but that the actual number of loans that are current are in the 90s. So it's not I think something to be fearful of in terms of doing this financing. I think there needs to be a lot more data, but there is some there. It’s not an adequate situation but (unintelligible).

Now at the bottom of the page -- top of page four now. One of the things that happened at the same time the Duty to Serve requirements were put in was that the Title I manufactured housing program was modernized in terms of its loan insurance fees and a number of them. So if you look at the table you will see that there are substantial, now, upfront fees and annual guarantee fees for manufactured housing-related programs. So I don't see any reason why the Enterprises shouldn't also price their product properly to make the program sustainable for the long term. Because if it isn't, then you’re going to have stops and starts, entering and exiting, which you don't want to see.

The fourth area, and I know I am running out of time, I will do this quickly, consumer protection and consumer education is very important. It really cannot be overemphasized. Manufactured housing is a fairly complicated product that most people are unaware of. They are unaware of the financing, they are unaware of the titling, they are unaware of the appraisal, they are unaware of the resale. These are all somewhat different than most peoples' experience. So education of the consumer and both credit standards is also very important.

Last thing and I will wrap up. I will just read a couple of quotes from Fannie Mae itself, which were written in 2003. And it was after a difficult experience with manufactured housing and the quote was this: Goals cannot be zero loss. We are in the risk-taking business. And secondly: It's unrealistic to be able to forecast everything and always get it right. That's a courageous leadership position to take as an administrator of a guaranteed loan (unintelligible) program. So I commend Fannie Mae and these others for now moving forward, I hope, with a manufactured (unintelligible) program that will meet everyone's needs.

ARUN BARMAN: Tim Sheehan.

TIM SHEEHAN: Good morning. My name is Tim Sheehan. And I live in a manufactured home community in San Marco, California near San Diego. I have been a long-term homeowner advocate for over 20 years, serving at the local, state and national levels. I am immediate past president of National Manufactured Homeowners Association and a past president of Golden State Manufactured Homeowners League, a California homeowners advocacy group. I have also served as a consumer representative to the HUD Manufactured Housing Consensus Committee for six years and was the delegate to the White House Conference on Aging in 2005. I have made hundreds of visits to manufactured housing communities to meet with homeowners and have volunteered over 50,000 hours in serving resident homeowners of manufactured housing communities.

I ask you to refer to my previous submissions in 2009, 2010 and 2017 to complement my comments today. I welcome and appreciate the opportunity to express my personal views on FHFA’s Duty to Serve rule and make suggestions to the GSEs for serving underserved markets. I met some of you at the Prosperity Now I’M HOME conference this week in Portland, Oregon where I was able to see Dennis, Jose and Ben’s, Fannie Mae and Freddie Mac’s presentations on Duty to Serve.

While it's been encouraging to see some positive steps in the implementation of Duty to Serve, it seems the most underserved areas of the manufactured housing sector are still being neglected. Specifically, older manufactured homes in land based communities. Those are typically the most affordable homes and without viable loan products remain unobtainable by many of those of low or modest incomes. Currently in the absence of traditional loan availability the seller often has to do the financing or the homes are traded, gifted or sold for a one-time cash payment.

This situation has had a collateral negative impact here in California, where tens of thousands of homes in manufactured housing communities have slipped through the cracks and are no longer properly titled, precluding pre-HUD homes from GSE-backed loan products simply because of age alone is unfair. Many pre-HUD homes have been extensively renovated and can be in better condition than many HUD-code homes.

In California, prior to 1982, manufactured homes in communities could be prevented from being sold in place once they became 17 years old. To their credit, the legislature and Governor Brown passed a law to abolish that rule and instead based the opportunity to sell on the condition of the home, not the age, which should also be the standard for lenders today.

New opportunities. A largely ignored opportunity that warrants GSE support is that of construction of new manufactured home communities, especially for seniors. Such new communities should be limited to nonprofit or resident-owned to remove the profit motive. New senior manufactured housing communities in rural areas near cities could meet a trifecta of all three underserved market goals and help revitalize rural communities. With 10,000 baby boomers retiring each day there is an urgency to get moving on the need for affordable housing for that demographic group. The special and dramatic impact of the senior tsunami must be carefully considered when evaluating housing programs and meeting the Duty to Serve mandate of Congress.

And since many baby boomers might need sell their site-built homes to create financial nest eggs for retirement, having viable manufactured housing retirement communities to relocate to would allow more homes in metropolitan areas to become available for younger workforce families. This win-win occurred in many areas of California during the manufactured housing community construction boom of the late 1960s and early 1970s, including my area of San Diego County.

Another opportunity that warrants consideration is construction of new manufactured home communities on military bases or other federal lands for homeless veterans. It's a travesty that so many veterans are currently homeless, living on our streets. Manufactured housing has the versatility and flexibility to create a wide variety of home layout for targeted needs that exist.

The value of rent regulation. I encourage you to research the many benefits of rent stabilization ordinances in California, where over one hundred jurisdictions provide this necessary form of consumer protection to provide security of tenure, protect home values and in many cases motivate community operators to sell to the residents or nonprofits.

These ordinances protect not just homeowners, they protect lenders, as demonstrated from a letter written by Bay Federal Credit Union of Capitola, California and I’ve got that as an exhibit. In a 2009 letter they report having written approximately $115 million of mobile home loans that, quote, in order to protect our security interest in those mortgages, as well as to protect our member-owners’ personal investments in their mobile home, it is our policy of only offering mortgages to mobile homeowners who live in rental mobile home parks if those parks are located in jurisdictions that have mobile home rent control with agency control. Please don’t discount the value of these protections and how they are typically much more valuable than long-term leases.

I have seen firsthand in my city how a strongly enforced rent stabilization ordinance has preserved or enhanced manufactured home values and served as a means of holding community operators for proper operation and maintenance of the community. As I mentioned, it's also motivated park owners to sell to their residents, and out of 18 communities we have seven that are now resident-owned and four others that are nonprofit owned. Our city even created a municipal finance authority to issue bonds to help finance these deals.

In areas without rent ordinances an affordable housing crisis should be declared and measures to stop price gauging should be adopted, as is often done following natural disasters.

A disturbing trend, without proper consumer protections homeowners have little home-land security of tenure and as mom and pop operators have been sold to Wall Street real estate investment trusts and other corporate conglomerates, we have seen an Enron-ization of the industry, where profiteering corporate operators have pillaged and plundered our manufactured home communities, threatening the future viability of manufactured housing as the largest form of unsubsidized housing in the United States. Rents have gone way up and/or maintenance has been deferred as a way to maximize profits.

It's unfortunate there aren't adequate restrictions on GSE-backed loans to protect vulnerable homeowners and lenders. I have a printout from one lender who has gone so far as to blacklist several corporate owners including Kort and Scott Financial, (unintelligible) Financial Group, (unintelligible) Properties, Kingsley Properties, and MHC Equity Lifestyle Properties, because home loans in their communities carry such high risk, and I’ve got another exhibit of that.

One of this group has initiated eviction actions against over 600 homeowners in its communities, while at the same time receiving over $600 million in GSE-backed loans to buy more communities, to pillage and plunder and impact more homeowners. If these and other operators create such high risk for home loans, they should be disqualified from receiving GSE-backed loans. It's time for Fannie Mae and Freddie Mac to blacklist these corporate predators and adopt more meaningful strings attached to GSE-backed loans, such as rent caps and other consumer protections. Leases can be a help but are often abused. So keen oversight of such leases would be critical.

Chattel loans. Classifying manufactured homes as chattel is not accurate or appropriate, as the legal definition of chattel is movable personal property. While manufactured homes are indeed moved from the factory to the home site, once put in place they are not intended to be moved again for use in a different location. The United States Uniform Law Commission has recognized the value of titling manufactured homes as real property and many manufactured homes are already taxed at the same rate as conventional homes. In some states, manufactured homes are already titled as real property, a policy that should be extended across the country.

As an alternative there should be a new designation for this type of home loan and references to chattel should be removed. One way to earn Duty to Serve credit should be for lenders to offer rebates to borrowers who make timely payments on their loans and thereby prove they are of low risk.

Partnering. We recognize that FHFA, Fannie Mae, and Freddie Mac cannot fully exploit affordable housing opportunities alone. You need to develop broader partnerships and relationships with other governmental and private entities. I especially want to encourage you to consider how the GSEs could work with other federal, state and local agencies along with special interest groups and high profile philanthropists and foundations to create public and private partnership opportunities that could be used to develop a whole new model of manufactured home communities or villages.

The tiny home movement has gained attention and popularity for providing short-term housing needs and could be -- I am on my last part. The tiny home movement has gained attention and popularity for providing short-term housing use and could be a springboard for broader societal acceptance and support of new manufactured home villages. A first focus to consider could be a new type of age 62 and older manufactured home villages that could provide broader services than exist in the many 55 and older communities that are currently very common, especially in (unintelligible). And would allow longer aging in place, delaying the need for government-subsidized assisted living.

Another focus would be to more broadly partner with entities who incentivize replacement of energy inefficient homes, especially in harsh climates, with Energy Star efficient homes. The Cash for Clunker cars program had multiple benefits and similar cash for clunker manufactured homes could reach even more benefits. Thank you for your interest in this topic.

JIM GRAY: Okay. So we are ready for questions and answers. We had a couple of new people from Fannie Mae. So why don’t you guys identify yourselves?

JOSE VILLARREAL: My name is Jose Villarreal and I’m the Duty to Serve initiative for manufactured housing communities (unintelligible).

BEN NAVARRO: My name is Ben Navarro I’m Jose’s counterpart on the single-family side at Fannie Mae.

JIM GRAY: All right. Do we have any questions for this panel?

MIKE DAWSON: Thanks a lot for the comments. It's always very helpful. You know, I think as we discussed earlier today about Freddie Mac’s focus, kind of all of our focus, is helping the individual succeed in homeownership, understanding what choices they have from the financing standpoint, maybe credit improvement standpoint options, housing education, how we can help there.

Now what more could Freddie Mac as an organization be doing to help a consumer become more informed about those financing options (unintelligible)? We have certain programs out there. We partnered with the Next Step organization and other organizations out there. But again, always looking for new ideas and other avenues to help support consumers. In this case in manufactured housing.

SUSAN BRENTON: I think that -- I think that one of the things that you could you do is partner more with state organizations, the organizations that represent the community owners and the homeowners. We all have newsletters, we all send out information promptly to our members, and we found that in our community, quite a few of the people who are moving in and looking to buy a home are doing that because they already know somebody in that community. So if our community -- the community became more aware of what is being offered and what is available I think that would be a great help.

PHILIP SCHULTE: I would agree with that and just add that another possibility would be to look at what is evolving in the United States in terms of communication, which is social media and other types of media are now becoming very common. People are using YouTube as a way to distribute information. I don't know if that's something that you could look at. But I just know that there is many millions of people that are on these social media platforms. So a way to get out some information about manufactured housing through that, in addition to the industry groups I think would be a way for to you see and get some feedback because the other nice thing about social media is they talk back.

TIM SHEEHAN: I appreciate the outreach that you have already been involved with, including attending the I'M HOME conferences with Prosperity Now, formerly CFED. I agree that networking with state associations, many of our states have homeowner associations, especially if there is state civil code protections. Unfortunately, in many states there is no state civil code protections and manufactured homeowners in a community could be given 30 days to move their home and all their belongings out of the community. And for that- such an arbitrarily allowed opportunity to evict homeowners makes it very unlikely for homeowners to organize, because who would be the first one target for eviction? It would be the ones who are organizing. And so in some of these states we have little hope to get advocacy groups started, and like many don't have any existing at the local or state level.

But one of my hopes in my 2017 presentation, I hoped that someone like Warren Buffet, a philanthropist with a lot of gravitas, would take an active interest. Berkshire Hathaway Homes, Clayton Homes, is the largest manufacturer and my hope is that Warren Buffet or some similar philanthropist would start a nonprofit to construct new manufactured home communities, especially in rural areas and work with the GSEs and other groups to provide that. I recently brought shares in Berkshire Hathaway so I will make a direct appeal as a shareholder. But I think that would not only help the networking with homeowners, it would also help dispel some of the stigmas and stereotypes that we are always up against, if we can get someone with a high profile to really take an active interest that would provide more publicity in the media in general but including social media.

LEAH KEHOE: Very briefly. I think that both Fannie and Freddie have done a wonderful job and put a ton of effort into developing materials on different financing options, product offerings, and I think making sure that those are disseminated through the right channels would be really helpful. Making sure that buyers who might not have thought about it previously are aware of recent innovations, (unintelligible) the boots on the ground both know what the options are. So making sure (unintelligible).

UNINDENTIFIED SPEAKER: (unintelligible) Thank you all for your (unintelligible). So Leah, you mentioned zoning briefly and you mentioned state and local regulations. So I wondered, from anybody really, given the GSEs' limitation on any lobbying activity, what kind of support would be helpful for us to provide in that space?

LEAH KEHOE: This summer there was the wonderful Homes on the Hill event that HUD put on a showcase and that was very effective. We found-- I think policymakers, lawmakers, just the general public (unintelligible) an idea of what these homes look like. That dispels a lot of, I think, misconceptions that people have. And I think there is a lot of different events that, I think, across the country, at the state and local levels, whether it is just Fannie and Freddie putting on their own event, making sure that folks understand what these homes are and what they are not, could go a long way, I think, in helping people understand, that these homes shouldn't be discriminated against at the zoning level, with land use regulations. I think that could be very effective.

SUSAN BRENTON: I also think it might be effective if maybe Fannie and Freddie and/or FHFA came out with some sort of a packet, some information that we could present to our local governments. I know I found it very helpful working on the Mesa-- being a member of the City of Mesa Housing and Community Development Committee. They actually gave me 20 minutes one day, that I took off of the committee and presented on manufactured homes and they were just shocked, they really were. So I think going after the local governments is the only way to do it, you've got to go after them one by one. I hate to say that.

PHILIP SCHULTE: The whole problem of zoning has been something that's been very difficult to deal with, certainly difficult for HUD to deal with because it is jurisdiction by jurisdiction. And we change very slowly.

My suggestion would be, is to just keep pushing at it. Keep saying that the GSEs under Duty to Serve are interested in manufactured housing, financing manufactured housing. Construction is now similar or better than site-built housing and that it is something that we need to do. And restrictions that just ban manufactured housing are outdated. And just ask for counties to look at it and then work with all of the other partners and see if you can get (unintelligible).

TIM SHEEHAN: As a resident of California, I would hope that you would have some focus on research in California on manufactured housing done right. What many local governments have done regarding zoning protection and I focus on the community level about, on fee simple land. But there are many examples of how local government, especially, has been proactive in supporting the rights of their citizens with zoning protections to discourage arbitrary closure of communities for a change of use. We've even had to have cities adopt zoning overlays to protect the 55 and older communities because some operator could just arbitrarily convert a 55 and over community, a retirement community, to all age as a way to divide and conquer the residents largely.

But there is many examples of manufactured housing done right in California. There is still examples of manufactured housing done wrong in California also. But there is many success stories I hope and I would be happy to lead you to a few of them. Thank you.

UNINDENTIFIED SPEAKER: I want to thank you all for taking your time and each presenting today. I just have a question with regards to, you know, Tim you made some comments, and I do want everyone to respond hopefully. You know, Fannie Mae has been an advocate of the tenant site lease protections you mentioned. Aggregators, large corporations, (unintelligible) private equity, you were talking about coming in, buying manufactured communities and increasing site rents and making it basically unaffordable for some residents in the community. So what role should Fannie Mae or the GSEs, what role should we play to offset that, if any? Should we play a role in that and what are your solutions besides blacklisting them?

TIM SHEEHAN: Well, that would be a good start. If they have a track record of abuse. One, you know the poster child in California, it was at the time Manufactured Home Communities and now Equity Lifestyle Properties where a community in Santa Cruz, California, (unintelligible), a beautiful community right out in the ocean, but in the late 90s they tried to raise some of the rent from the six to seven hundred dollar range to $5,000 a month for pad rent.

They didn't get away with it because the city had a local rent ordinance. But they sued the City into submission to give up that ordinance. The city brokered a deal to provide some security for existing residents. But when they go to sell and inherit the home, the rent could go to $5,000 a month. No one has ever paid it. But consequently, the operator gets those homes for little to nothing. Many people paid hundreds of thousands of dollars for those homes. I have heard of as much as five hundred thousand for some of those homes and maybe more. And they lost most if not all of the equity in those homes. In my mind that's a travesty.

So there should be strings attached. There is a lot of good operators out there. But whether it's the SAFE Act or Dodd Frank, you know, or the need for rent stabilization ordinances, it's been the bad operators who have spoiled it for everyone else, all the other operators. That's what compels local governments to act in the public interest to protect their citizens. It's a shame we need these protections, but that's the way of the world and we are glad so many in California have adopted those protections.

As far as what Fannie Mae and Freddie Mac can do, I know there has been some other consumer protections that you are considering. I submitted a list in my 2017 submission too, because – I volunteer mainly for the seniors and the veterans who have such an emotional investment, not just financial investment in their homes and their communities. They are tight-knit social communities and when they lose their home it takes such a toll on their health and well-being. I’ve seen the burned-out home of a man in a MHC community who set his home on fire, drove across the street and shot himself. That's the level of despair that some of our homeowners face. That he didn't want (unintelligible) to end up with his home. So on his way out he destroyed his home.

SUSAN BRENTON: In Arizona we have no rent control, no formal rent control. But one thing we have adopted there, as I talked about, we do have our relocation fund that helps the resident if the community closes down. Well that relocation fund will also pay to move a home if a community changes from age 55 into a family community, or the rent is raised by more than 10 percent plus any increase in the CPI over the past twelve months. So you might look for different things like that in different states to see what the state already has. But I hope you don't include it, again, in your requirements. Instead I think if you look at the history-- in Arizona, a park owner, if I am moving into a community before I even sign a lease, has to give me-- to show me the rent increases for the last three years so that I would have an idea of what's going on in there. So there are different protections like that I think for residents.

LEAH KEHOE: Beyond pad lease protections and (unintelligible) protections, MHI recently finalized a code of ethics, which I think is sensible, that members can subscribe to as a part of their MHI membership. (Unintelligible) developed these through research and what we think are best practices. We would be happy to share those if those would be helpful, you know (unintelligible).

JIM GRAY: Leah, on that. Does MHI have a position on the pad lease protections in Duty to Serve?

LEAH KEHOE: I believe actually in the comment letter MHI submitted prior to the finalization of the rule, MHI proposed a number of pad lease protections that I think were included in the final rule.

PHILIP SCHULTE: Just to add to what everyone else has said, you know, part of looking at this-- serving this underserved market, is looking at affordability more generally. In addition to lot rent, is the cost of buying a manufactured home, be it new or used. If those financing costs come down, you have a little bit more space for the natural evolution of these rents. Because where I come in the Pacific Northwest, rents are going up in some of our major cities, 75 percent in the last seven years. So there is a reality of repricing of real estate assets. And, but if credit costs come down you can still maintain that affordability, which I think is an important part for you to do versus the others.

JIM GRAY: Okay. Are there any other questions?

LYNN FISHER: This is maybe old hat to those here at the table, but multiple folks asked about or had comments about appraisals and valuations – how to manage that. Certainly I heard lots on the single-family side, but I would appreciate a little bit more detail about issues that you see on MH homes.

SUSAN BRENTON: In Arizona, we have seen, really it’s tough to appraise a home, a manufactured home in a community, in a rental community. Basically due to, up to 50 percent of the price of that home could be based upon the location of the home. And many of these homes are sold from one private individual to another individual. So it's not public information, the selling price or anything. So it's very hard to try to judge any sort of appraisal on these homes because it is, a lot of it is just based on where it's located and who is running that community.

PHILIP SCHULTE: In terms of appraisals, you have, you know, the predominant methodology that's used is the NADA methodology for manufactured housing. And there are adjustments for both the condition of the home and for the community itself. But there is so little volume here that many times appraisers struggle finding comparable sales on used homes. That's a big problem. But it’s a problem we solve if the volume goes up. So it's sort of a chicken or the egg problem. You’re going to have better availability, and you will have better appraisals because you will have more comparables and you will have more experience. But right now, especially in rural areas, they can be sometimes scattered and it's difficult for the appraisers to give a value. But they are conservative, and they should be.

TIM SHEEHAN: Yeah, it's tricky on appraisals because, as Sue mentioned, in place values can make a big difference. Especially if there is rent protections. Many community operators claim they are providing affordable housing. They are actually providing a pad for the home to be placed. They are not providing the housing itself.

If rents go up too high, the homes do become very affordable when they lose all their equity, but the affordability of the lifestyle goes down at that high rent. At the I’M HOME conference there was a shift from affordable housing to housing affordability, and housing affordability takes into account the affordability of the monthly rent, utilities and everything, mortgage.

And as far as the communities themselves, appraisal, you know, they have a-- community operators have a three-prong motivation to raise rents. It raises monthly revenue by raising monthly revenue, they raise the value of the community for resale, but if they raise the rent high enough they can capture these homes for little to nothing and make a profit that way also. And so it's just such a vulnerable position for homeowners, owning a home on someone else's land.

And we've seen the need and value of rate regulation in the utility industry because of operators like Enron. And there is a growing mindset among many of these manufactured home community operators, even these get rich quick schemes on the internet like Mobile Home University, which encourages their members or students to push rent aggressively to receive a 20 percent capitalization rate. I've got one exhibit on that, because what is a homeowner going to do? There is no place to move. For an older home there is virtually no manufactured home communities that will accept older homes. So if things get so oppressive there is no place to move. Our constituency is a trapped constituency and deserves and needs those protections.

LEAH KEHOE: Just briefly. On the Cross Mod homes and the (unintelligible). We're really excited about the important (unintelligible). I think an issue is the lack of familiarity, maybe. But I know that a lot of work is being done to educate appraisers and that working with the Appraisal Institute and other organizations, and I think, just through your networks and making sure that you kind of increase familiarity and get rid of those misconceptions. That will go a long way.

JIM GRAY: All right. Okay. I think we are going to bring this panel to a close. And I do want to thank the panelists. So now it's time for our lunch break. Let me tell how the lunch break is going to work. We are going to take about 20 minutes for totally unprogrammed time for everybody to get your lunch and come back to your place and then we are going to have the question and answer portion where you all get to ask questions of Fannie, Freddie and FHFA about things that are important to you. And then after that we will do the other two panels. So that means that we will try to reconvene at about 12:25 for the Q&A.

-- BREAK --

JIM GRAY: So now we are at the point of the meeting where you all have your chance to ask us questions. We do have a couple of ground rules for the Q and A.

The first ground rule is that the purpose of the overall meeting is for Fannie and Freddie, and FHFA to listen and to hear. We are not at the point of, or I should say Fannie and Freddie are not at the point yet of making a commitment that the shared equity market or something else is going to be in the next cycle. So I would ask that that you please refrain from questions like, you know, will "X" idea be in the next plan. Because we are just really not at the point to answer those kinds of questions yet. So that's one ground rule.

Second one is that this is a meeting where we have a much broader set of possible topics than at, say a typical industry conference and there are a large number of people at the companies and at FHFA that work on various issues. All the experts are not here. They can only bring a certain number of people. So it's possible that you may ask a question that we may have to say we will have to get back to you on that because we don't have the right people here.

And then finally, the Enterprises obviously are competitive. So it's also possible that you could ask a question that would move into proprietary territory to things that the companies might not want to discuss fully in front of their competitor and that also might lead them to say we can talk about that offline from this meeting.

Okay. So does anybody have any questions about the ground rules? Okay. Well, Arun here is going to bring around a handheld mic. So who wants to ask the first question?

UNIDENTIFIED SPEAKER: So I would like to ask about ADUs. What hasn't been mentioned in conversation, but in the state of California, having zoning to help attract additional housing, has there been thought about financing? Because I understand the struggle of homeowners being able to build those additional units.

MIKE DAWSON: Great topic. We do allow-- I'm not an expert on ADUs. I'm looking at Dennis here. Like he said, we do finance ADUs and other capabilities there. Before I let Dennis answer-- we think it's a great opportunity also for all the right reasons, right? And so, would love to hear more about that in the future. I know that we have an expert in the room with us also here. Why don't we let Dennis kind of go through what we've got.

DENNIS SMITH: So what's in our standard guide, (unintelligible), we do allow for accessory dwelling units to be financed. And we recently came out with some additional valuation guidance on how to look at those ADUs, and make sure they're making appropriate adjustments with the home that is on the site. So as Mike said, it's an opportunity especially as we look in the area, in California, in Portland, et cetera where land is at a premium and they are looking at high density and even for affordable preservation for those folks who want to stay on the home site that they've lived on but maybe are unable now to keep up with the cost of living there, having that as an option, would enable them to extend affordable housing.

UNIDENTIFIED SPEAKER: So on the site, would you be able to see what lenders have access to that product?

DENNIS SMITH: So because that is something that we call a standard guide, any one of our thousands of lenders would be able to do an ADU. Now having said that, you know, one conversation you have heard earlier is that not every lender offers every product or program at either of the GSEs. Sometimes they make (unintelligible) and a widget comes down the line and (unintelligible). So I would just reach out to some of the lenders within your community. Isn’t that something-- we've looked at past lenders. If it’s possible, you could give us a list of what you do and there’s some legality around it, (unintelligible) et cetera.

MIKE HERNANDEZ: I would just add on the Fannie Mae side, very similar. We finance properties with ADUs and (unintelligible). The ability to take that extra income so that people can remain in their homes, that was a piece that we recognized early on. It’s tremendously valuable, as well as, to the extent we can, introduce the concept in the markets that we’re working-- especially for, we heard a little bit earlier too, gentrification.

This is another tool that can help ease some of that gentrification in the market. And we’re seeing that, we are doing projects in DC and other places where that’s certainly becoming more and more of a normal housing pattern. Even in the City of Dallas where I live, they've recently passed an ordinance that will allow for ADUs. We are starting to see builders coming in where they were taking down large properties and redeveloping them. Now they are putting in affordable components to that redevelopment and then helping the community age in place a little more effectively.

Steve is right behind you, and he’s got all the answers.

STEVEN DIETZ: Part of this is what I was going to speak to later.

JIM GRAY: Can you identify yourself?

STEVEN DIETZ: Sure. My name is Steven Dietz, I am the

CEO of United Dwelling. And our business is actually building ADUs. And some of this is what I was actually going to speak to later, but interactive sounds better to me.

When we started working on ADUs, the thing we observed was that in low- and middle-income communities there are actually very few homeowners who can afford the home. We’ve done some (unintelligible). Of the 583,000 addresses in LA County where they would actually fit on the property, 81 percent of those have an LTV that would reasonably accommodate an increase in mortgage balance. Only 15 percent of them, though, had the income to accommodate that increase in mortgage balance. And we are seeing that in terms of where ADUs are being built.

It's quite extraordinary. In Los Angeles County for the first time this year, I am sorry the City of Los Angeles, just over 60 percent of all the single unit certificates of occupancy that were issued were for ADUs. Sounds amazing. How do you get to 60 percent in two years? Ninety percent of those are on properties that are in the top decile of value. The people building ADUs are the people who have the money to finance it and don't need anybody in this room to do it.

But for the rest of the community, this is an opportunity to build homes that are incredibly affordable. For us, we price everything at 26 to 30 percent of AMI. But there isn't a path unless you are going to let homeowners borrow against anticipated income, which I suspect would never happen and perhaps shouldn't. There is not a path for those homeowners to be able to finance ADUs independently. They need a third party to help them.

UNIDENTIFIED SPEAKER: Steve, is the city or county providing incentives to make that happen?

STEVEN DIETZ: They are providing incentives, but the pool of capital to do that is really small. So in the County there are no incentives. In the city there are incentives, but right now it’s about one to two million dollars.

(Unintelligible)

The only thing that's been done so far in the city, (unintelligible) allocated $750,000 to do ten units, in the entire city of LA. (Unintelligible) but the bottom line is there isn't a clear path. And then even if there were, the challenge you have is, assuming that all these homeowners have the ability to actually build the unit cost effectively, and then much more challenging is that they have the capacity to manage it properly, conform with FHA, and the challenge in lending for them is if they can't do those things they risk losing their home, over their inability to manage and pay.

MIKE DAWSON: And that was going to be my follow-up question. Who is managing that? What is your vision (unintelligible). How do you help that (unintelligible)?

STEVEN DIETZ: The way that we do it is we partner with the homeowner. We actually have this incredibly value piece of land that's right in the center of town in a good neighborhood, the infrastructure is there already. And in 91 percent of cases the garage, if when it’s a garage, has junk in it. We’re in L.A. You don't park your car in the back of your property, it’s in the driveway. So what we do is we rent that space from them. We turn it into an ADU. We manage the property. We make sure that we talk with the homeowner about what they want as a tenant, and we share the rental income with them. And then when we are done we leave. After 15 years we leave and the homeowner owns the ADU free and clear.

From a preservation perspective, about a third of our homeowners are roughly five years either side of retirement. And what they get out of doing this, aside from significant appreciation in the value of the property, which is wonderful for the holder of the first, they also get about $70,000 to roughly $100,000 of cumulative distributions from the share of the rent.

But we manage the property. We do everything. All they have to do is let us use it and tell us where to send the rent and get really involved in selecting the tenant.

JIM GRAY: Great, thanks.

STEVEN DIETZ: Pleasure.

UNIDENTIFIED SPEAKER: What haven't you heard from us that would be most useful for you in developing your plans?

MIKE HERNANDEZ: What would be most helpful? I think the data piece that I talked about. So helping us understand -- and we talked a little bit about this yesterday. At the end of the day, what our regulators will look at is what kind of impact did we have in the market? So as we develop some of these pilots and look to see how we moved them from market to market, help us articulate what you think is the key criteria that will make it meaningful for you and for us, keeping in mind that part of our advantage is to be able to scale things. We can work with HUD, you know, to influence-- and standardize things.

So what are those pieces where we can have the most impact? And encouraging us to do that, I think, helps. I mean, we are moving in that direction, but we want to be sure we understand what it is that’s going to be most meaningful. Is it, you know, I heard standardization for community land trust pieces. Those are -- that's something we can really get our teeth into and it makes a lot of sense for the industry, for us, for investors. Because at the end of the day, Fannie Mae gets its money from other places. Investors have to come in and buy our securities. So to the extent they understand what's really going on in that, that's tremendously helpful and powerful for us.

I have heard several different asks. We are continuing to develop our plans, actually out in the market. If you could help us shape that, I think that's tremendously impactful for us and will continue to help us build off of many of these pilots and many of these test and learn. Just having the data and information and helping us define what impact really is in the market.

Jim mentioned earlier, is it outreach impact or is it, you know, loan impact. Having a good understanding of that, you know. We listen to what you guys tell us, and as a consequence we are amending our plans accordingly. So, you know, be careful what you tell us. We might use some of it.

But, no, this has been very, very helpful. Some of it, I think, we’ve heard before, we know, (unintelligible) reinforcement. The more you can help us frame what is that final outcome? Where do we want to go? Recognizing that all of us have unique issues in these markets. And I travel all over the country. Helping us think about it broadly while we are trying to think about it locally is the real, you know, that's the real secret sauce.

MIKE DAWSON: Let me just tag on to Mike's comment there. Very similar, you know, as we talked about earlier, what we are best at is driving and being the catalyst for change, the catalyst for standardization of products in many of these markets, (unintelligible) and services. We want to hear more of, as we continue down this journey, more of what you do with that practice in your markets. What works in local markets that can be disseminated across the country, or in different areas across the country that we can, again, provide the standards in our views and our consistent presence in these markets. (Unintelligible) Portland, particularly local markets. So bottom line, keep coming back with the feedback to us of where we can help.

COREY ABER: I think I would like to add to that a little bit, because there are, as you look at some of these historically underserved markets, and some of these solutions that are emerging and are really great ideas. I think the question is, if we are providing financing for it, if we are providing standards and formalizing things, how does the market grow around it? We are providing our market. But what do the developers, what can they do? What can (unintelligible)? What can everybody else do in the market as well? And that's really, that combination of things -- our work and yours -- that really makes us grow.

UNIDENTIFIED SPEAKER: (Unintelligible) To play on that, helping us understand what some of the challenges are that we are not familiar with at the edge of unfamiliar markets. I’m wearing my MH hat a little bit but I think it applies to the other markets as well, there are certain parts of the financing process that are just fundamentally different and we are learning about it as we go. And helping us know that before we set off on the journey will help us plan accordingly, set realistic targets, help keep us honest about what the opportunities are, of course, but also the challenges.

DELPHINE PRUITT: Hi. I am Delphine Pruitt. My question that I have is going to be representing the board, being a board member on the San Diego Urban League. And two things about the outreach I needed to touch on earlier. One, I would love to get access to the mapping data you have of the affordability housing map. We could really use that in San Diego. So I want to know how to get access. And please don't say go to the website unless it's really easy. Because I've been all over Freddie's website. If you could directly inform me, right there, if I just click and click, we're good, but I'm going to give it to the staff, you know, to take a look at.

So my question is really about the affordability issue. I can tell you that the changes that came on the Home Ready and AMI saw immediate impacts, in the folks that came through the counseling part of the housing programs. Where before they might have been getting $2,500, $3,000 rebates. Where now, since folks are like 85 percent or a little bit above 80, it really knocks out a whole group of folks here in California that still need that affordability. So I don't know the reasoning behind that. Is it something that can be re-looked at and maybe capped? You know, like we do for high balance for California and some other markets? Maybe something to consider for the State of California in terms of AMI because of the affordability issues.

And, lastly, about the outreach piece. I think it's really critical because I took the information to them, the staff at the Urban League, and (unintelligible), and some of them didn’t even know about it. And that’s all because the sources where they go to get their information might be different from where you list information for folks to come to the hearing. So maybe looking at some minority magazines, radio, you know, different outlets, media that they use to get the word out to get organizations to come. Because I think it’s really valuable to get that information here in California, which is really unique in terms of affordability in what's going on here in California.

Also, it seems like the bad people, you know, who want to exploit folks in the community, really know how to reach them. I mean, we want to keep some of the paths that they’re utilizing but (unintelligible) the message, maybe more outreach. So whatever they are doing is really working to get access and really having an impact on folks who live in these communities. I mean, a lot of things going on here in California and we hear folks all the time here at Urban League that come to our door.

So my question is, let me get there, one, can you reconsider the AMI for the Home Ready and Home Possible in California as we do with high balance? Reconsider that. You might not give me an answer today, but reconsider it for higher cost markets.

Two, (unintelligible) outreach and reconsider other vehicles to reach these organizations and folks here in the community.

And third I agree with Mark Alston, in terms of really doing some type of campaign around homeownership for minorities who are less likely to seek it out. So some type of campaign for ownership to give them something to think about.

And last, the education piece. Education is so key. Just across the board. It doesn't matter, minority or not a minority, their education is key. (Unintelligible) Freddie, but particularly Fannie Mae. I have to leave this thing. Fannie Mae is doing a great job (unintelligible). I see them all in the community, all the time, both of them, you are out here all the time so just keep up the work. And we will see you soon.

COREY ABER: Let me-- I will answer the first really concrete one: where is that map? And that's DTSmaps.Freddiemac.com. I believe it is, but I will also look it up on my phone to make sure. Which by the way, you can use it on your phone. And what we did with that is we partnered with the National Housing Preservation Database, which has (unintelligible) of data on all the affordable properties. By affordable I mean (unintelligible) affordable, all the major public subsidies and some of the state and local subsidies.

We partnered with them to map all of that data and we also put in (unintelligible) the Duty to Serve geography, so those areas, high opportunity areas, areas of concentrated poverty, other rural markets. So you can both look at properties and see some geographic overlays to understand where they fit. And we also added in a lot of key demographic information about every Census tract. So as you look at a property you can also drill down on how the demographics of the tract, those opportunity (unintelligible) indicators. We built it off of Google Maps so you can use Street View also and you can look at the property from your phone or from your computer.

LYNN FISHER: So on the AMI, I will take that information and request back to the mothership. I have to admit that I (unintelligible) my briefing points already to go over Duty to Serve and then didn't have all my ducks in a row on that particular policy. But I think the short piece of review that our team has done around the AMI was trying to come up with alignment with the affordable housing goals and that was the consistency that we were looking for. Doesn't mean that we can't continue to take a look at the policy. So the buck stops here, because they are doing what we’ve asked them to do, but we will take your comments into account. Thank you.

MIKE DAWSON: Let me just tag on to that. I am the product owner for Home Possible and for Home One and for the HFA Advantage program. It has been mentioned that we put these programs together to support our mission, on certain affordable housing goals overall in addition to Duty to Serve. We fully recognize the challenge (unintelligible), no question about it. There are still product availability for higher AMI borrowers. It is priced differently, as you’ve seen, but the conventional offering is there.

On the education (unintelligible), the other part to your question, on the education front we are very much aligned there. We have the CreditSmart financial literacy tool, it’s financial literacy for homebuyer education, but it's available and it’s free on our website. And we’re going to be rolling out some additional educational tools very soon here, probably in the next two weeks, that’s more focused on home buyer education, also going to be free.

On your question about, related to mortgage readiness. We are working with our lenders and have provided lenders with research, trying to match -- mapping up, actually, mortgage-ready borrowers in locations along with housing supply information. So that they can get a better look at, hey, who potentially is mortgage-ready and what is the housing supply situation in that community to help their loan officers and others in their communities to match up, not at the individual level but more at the macro level (unintelligible), from the data that we have there is an opportunity in the (unintelligible). So, it's for a number of different demographics, in a number of different markets. But we are delving deeper into that to help the lenders, (unintelligible) and see what the opportunities are in those local communities.

UNIDENTIFIED SPEAKER: So I typically work on single-family MH stuff. So, my example is a bit narrower but I just wanted to share it because it provides a little bit of (unintelligible) in terms of value that I think we can bring on reach out to consumers. We launched the MH Advantage loan product, which is (unintelligible) the homes that manufacturers build, and when those two things are put together the borrower could qualify for better financing terms, like a 3 percent down payment.

We noticed that there wasn't a lot of consumer awareness of this. We did a great deal of market research behind it and then built a consumer outreach campaign around that. Now (unintelligible) for Fannie Mae to reach out to consumers because we're not in the primary market. But FHFA looked at what we were planning to do and gave us the blessing to do that. What we ended up with was essentially a web page that walks folks through the basics of the homes, of the financing, and then of what they can do next to take advantage of that financing. And that is reach out to the manufacturers.

We found that against industry benchmarks for similar marketing campaigns, this webpage was being visited five, six times to beat the industry average, which we were surprised and very happy with. And then subsequent to that was watching a video on what to do about MH Advantage. And again, clicking on the video and then watching the video to completion, again, was something like five times the industry average. So we think that our credibility really is something that consumers respond to. And given the opportunity to do that, I think we provided a lot of value. So we’re really excited about that.

I think we have done something similar in the rural market and will look for more opportunities to do more (unintelligible).

MIKE HERNANDEZ: I’ll just say that the focus on home buyer education continues. As you know we’ve made all of our offerings that were part of Home Ready free. There is no more charge and that's been a big, big lift and we’re starting to see some impact from that.

And then the other piece on outreach, as Ben said and we talked about a little earlier, we are very focused on the social media now. How do we get our message out to the audiences that we want to get it out, both lenders and otherwise. And part of what we are doing, and we've got to be careful because we are not, we can't go directly to the consumer, but if we can get our lenders information that they can easily disseminate to their customers, that's golden. So that's what we’ve been spending a lot of our time, re-evaluating some of our social media efforts to support them, to get their word out and to focus.

And then the other piece that I heard and I'll definitely take back is the integration, better integration of the trade organizations that are out there. We work closely with NAHREP and NAREB and others, folks that are on the ground marketing these products directly to consumers need to have the best information out there and we continue to invest in that space to grow that education. Does that answer your question?

JIM GRAY: Okay. So before Mark, I guess, has the next question. But before you ask your question, can I just get a show of hands, is there anybody else who hasn't had a chance to ask a question yet who would like to ask one before we – because we are running out of time for this part. Is Mark the last person? All right. You can ask a second question after Mark. That will be the last question.

MARK ASTURIAS: Thank you. I actually have two questions. So the first – they're quick questions. So how do we, we presenters here, how do we get information back to you after this conference to explain why that's going to create a very disparate impact for the populations that we are trying to serve? And the reason I say that is, we serve 80 to 120. Because from a cost standpoint, we can sell a home at about the $400,000 range in Orange County, California. If I am trying to sell a home at the 80 percent and below, that home price went from about $460,000 to $180,000. That means I have to subsidize not only the $300,000 I already put in to get it down to $460,000, I now have to fill in another $300,000 and it becomes economically infeasible. So how do we communicate that information to you so you have that as a resource, one.

And then, two, the process for the next three-year plan. Do you see it being substantially similar to the process that you undertook for this first plan?

JIM GRAY: Let me start with the second question. So we have new leadership who is taking a thorough look at Duty to Serve. And I think that they have an open mind about whether we need to make substantial changes to the process or whether we need to make just changes around the margins. The team, the career staff that's worked on it has -- we have one person right here, Rebecca Cohen, who has spent most of the last year coming up with a pretty robust set of changes that we have wanted to make on our own. So I would say at a minimum we would make those changes. But whether or not the program will remain substantially the way it is now, is yet to come.

On the second question, it a bit goes to that-- one of the ground rules that we don't have all the experts here who work on that on a day-to-day basis. But I will give my e-mail address and you can send things to me on that. And I will make sure that we get them to the right people at FHFA. So my email address is jim.gray@FHFA.gov. And if you would just please put something in the subject line to indicate that it has to do with the AMI discussion at the listening session that will help me be sure that I don't miss any of those emails.

MR. GRAY: Okay. It looks like we have gone through the question and answer. So may I ask that the second manufactured housing panel come to the table?

ARUN BARMAN: Steven, you'll be up first.

STEVEN DIETZ: I already got to introduce myself, so that's one minute of your time. What we do is we build ADUs. And as I mentioned earlier, Los Angeles, California-- they make it extraordinarily easy. To give you an example, we have no entitlement process. We go and ask for ten permits one morning, on a Monday morning, and we get them by Monday morning. We can do the construction, the demo. Right now we need 30 days for a permit but I'll make that go away in the next-- by January 1, so the demo can be immediate. And the unit can be in in three weeks and we're done. It's a really fast process. And I am certainly the naïve one in this room with respect to real estate and the country's mortgage financing. But I made the observation that affordable housing is actually a piece of cake. All you need is inexpensive land, inexpensive construction and a financing source. Yeah, I know.

But at least in California and seven other states, the inexpensive land part is fixed with the ADU rules. You take really good land in good neighborhoods that's incredibly underutilized -- it's used for a garage -- and work with the homeowner. In our case, our model is we rent the land from them. We're working with some community land trusts in Palo Alto to do something similar. But the bottom line is we re-purpose that underutilized property that's in great neighborhoods and turn it into a home.

In the process of doing so that home doesn't take up any extra green space, requires no incremental infrastructure, and we are getting it built for $60,000 a unit, which is one-tenth the cost of what incremental units of housing cost in Los Angeles.

There's a report that's going to be released tomorrow by a huge consulting firm. They'd be mad if I said their name before they release the report. But what it basically says is that ADUs are the most scalable and cost-effective way of addressing affordable housing challenges in major cities in this country.

So there is a solution on the land side and if you've got the land inexpensively, you can justify installing single family units that are quite cost effective. Where we're stalled out is the financing. So I guess my question is, in the context of what I said earlier where right now 60 percent of the certificates of occupancy in this city are for ADUs and one, single family structures, with the report that's coming out, I don't understand why the Duty to Serve document that you all have has a single reference on page 22 to ADUs, and that's it. There is no other reference and yet this is manufactured housing. That is the effective way to install ADUs. It's off the chart in terms of helping people stay in their homes, because of the incremental income they can receive. But unmentioned. So I guess, I know Q and A is over, but that's my last question.

JIM GRAY: When we were constructing the Duty to Serve program, we were faced with a statute that had specific suggestions in the affordable housing preservation market and no specific suggestions in either the rural market or the manufactured housing market. So we crafted our regulation to address some additional things. We couldn't address everything. But what we did to make sure that nothing falls through the cracks and that the Enterprises have full flexibility to do anything that they want, is that we have something called additional activities. And so either Enterprise could choose to include in their plan an additional activity for alternative dwelling units.

In addition to that, we also have in our guidance something called an innovation modification. So they don't even have to wait until the next plan cycle. They can, if Fannie Mae or Freddie Mac is persuaded that ADU is a really effective way to address affordable housing preservation, they can on very short notice without any approval required by FHFA, modify their plans and add it. So I think my answer is, while it's not specifically called out, it's also not specifically prohibited either.

STEVEN DIETZ: And do you know if it works within their terms? Or more specifically, if FHFA is supportive, would that matter?

JIM GRAY: Okay. So those are two really different questions. Let me do both of them even though, yeah, this is more Q and A. But it's important. So we should definitely cover it.

So the way our plan process works, especially in conservatorship, has been that we ask the Enterprises to be aggressive in coming up with ways that they think would be effective and impactful in reaching these markets. And to allow them more leeway to do that we determined that the things that are in the plans are not – can not necessarily be things that FHFA has approved in advance.

So they put them in the plan and then they can get, if it's something that they haven't done before, and you know there are stricter regulations in conservatorship on doing new things than there will be after conservatorship, they can get the permission to do it after they have put it in their plan. So just because something goes into a plan does not mean that FHFA has said that they can do it. Okay. So that was one of your questions. What was the other one?

STEVEN DIETZ: Actually I think you integrated both questions in that answer, so thank you. I won't take up more unnecessary time other than to make one more observation. Because, in our data set we looked at AMI a little differently, which might address a little of what you’re looking to do. I think the challenge in LA or Orange County on AMI is that HUD's definition of AMI for Los Angeles is for the region that encompasses all of Los Angeles County as well as Long Beach and a significant portion of Riverside. And when you mush all that together you get to a number that's about 69, $70,000.

In actuality if you take the Census tract block level data where median income is also reported, those range from $26,000 to $470,000. So to take this whole community and say one number is representative, because those are people who are getting forced, because of that one number, are getting forced into hour and a half long commutes. If AMI was more accurately representative and at a lower level I think most of the issues that everybody in this room has expressed, certainly in any metropolitan area, with respect to a mismatch with where the AMI thresholds are, and what their guidance is for what they can loan against, can be solved. That's it.

ARUN BARMAN: Todd Kopstein.

TODD KOPSTEIN: Thank you. My name is Todd Kopstein. I am the CEO of Cascade Financial. We are a lender and have been for 20 years for people buying manufactured housing. We are a Freddie-approved seller-servicer. We lend FHA. We lend VA. We lend portfolio land homeowner mortgage, non-agency mortgage, and we also lend non-agency chattel.

And I'm proud to say that earlier this month we closed on the first new securitization of newly originated manufactured housing, non-agency, since 2007. In that transaction we had loans to 2,054 borrowers, provided financing for new households to buy new homes. We had, 98 percent of the homes were new, very little used (unintelligible) mentioned before. Seventy percent of the pool was chattel, slightly less than the market. And, you know, the cost of our, average balance per chattel loan was about $80,000.

The cost to originate an $80,000 balance loan is the same as the cost to originate a $400,000 loan (unintelligible). We adhere to the Ability to Repay, Dodd Frank, HOEPA, all those requirements. The cost to finance that loan is more than the cost to finance a mortgage. Warehouse financing is high, and (unintelligible). All that means is that it is very expensive to originate that loan and we need to pass that through to a borrower, or (unintelligible). So our WAC, our weighted average coupon, on the loans in our pool is about nine and a half percent, for chattel loans. Nine and a half percent. That's too high. We have to decline 70 percent of our applicants for new home chattel loans. We can only accept 30 percent because all the others are cost-burdened from a DTI perspective, among other reasons. So while we are trying to drive down our cost to originate using technology and other means, we need your help to bring that cost down so we can extend credit to more people.

I don't need to tell anybody in this room that there's an affordability crisis in the county. I think everybody knows it, and it's getting worse. But I think manufactured housing, specifically chattel, is one of the largest answers to that problem.

Back in the 70's and 90's, as it's been mentioned, manufactured housing represented close to a third of new home sales. Today it's barely double digits. Fortunately, you all have been mandated to help us. In 2016 the Enterprises were mandated to serve chattel MH, to quote, improve the distribution of investment capital for residential financing for very low-, low-, and moderate-income families in the chattel market. Unfortunately, almost three years later on this point -- I know a ton has been done for Duty to Serve – on this point the Enterprises have unequivocally failed. To my knowledge there has been no progress on impacting the distribution of investment capital for chattel loans. That hasn’t changed.

I know that the director, Calabria, has specific goals with respect to ending conservatorship and so on for the Enterprises. And so we sort of have to marry what we think we can get done through Duty to Serve with the director’s goals. Specifically, the director spoke last month at the MBA annual convention and talked about ending (unintelligible) supported by private capital and suggesting that, I think, stating that their activities are expected to earn a reasonable economic return. That kind of makes sense.

So how do we think about protecting our private capital, earning a small return, and serving Duty to Serve with respect to chattel loans? I think that's the question.

And I think if you look at, historically, when borrowing rates for borrowers were too high, the solution has been a public-private partnership of some sort. Just go back to the crisis, this exact scenario played out, where there wasn't ample capital or liquidity extended to borrowers, consumers in 2010, '11 and the Treasury Department came out with the TALF program, which was wildly successful, brought in tons of competition, and ultimately the borrowing costs got slashed for the borrowers. The borrowing rate came down dramatically in just a matter of months.

I’m not suggesting a TALF program at the Enterprises. But I am suggesting a public-private partnership. And luckily enough, with respect to Mike, he mentioned the same program that I am about to say in their opening remarks. They already have the technology. They can do this all day long just from (unintelligible) borrowers. The credit risk transfer money. You got to do it. It worked successfully (unintelligible). But you don't do it for chattel loans. I don't understand that one.

The private sector has already told you, in my securitization (unintelligible), that they can price the risk. You guys have more data than they do. You guys should be able to price the risk as well. For that matter you don't need to take the bottom of the capital structure. All I am asking is, an originator originates loans, sells the loans to Fannie or Freddie, you guarantee them, sell back the bottom of the capital structure to the originator, keep skin in the game, and take the remote-- the risk-remote tranche, which is liquidity constrained, sell that to the marketplace and guarantee, with a guarantee, earn a guarantee fee, and off you go. You will bring in competition, bring down borrowing rates, and hopefully that nine and a half percent will get reduced. More borrowers can qualify for loans, and we'll help solve the affordability problem. I think that is the answer.

And I want to quote a research piece that I read from April of '19 that said, quote, we calculate that greater reliance on most production is unlikely to be the source of significant cost savings for the kinds of homes that most Americans live in today. We highlight the potential for factory-built housing to provide more significant cost savings, if smaller size and reasonable but lower quality construction is permitted, as is the case with manufactured housing. Lynn Fisher and Scott Ganz.

All I am suggesting is, I think we all believe that manufactured housing can provide a fantastic solution for low-income borrowers in the country. You guys already use it. Let's go for it and help the chattel buyer out.

The one other thing I would advocate is that with the new program, just have something similar to the last program. Let's keep accountability, make sure you have plan that's knocked out and measure the Enterprises with how they do with respect to chattel specifically. That way, without accountability I think it's (unintelligible). Thank you.

ARUN BARMAN: Suzanne Taylor.

SUZANNE TAYLOR: Hi. My name is Suzanne Taylor. I am filling in for Erica, who was filling in for me. So I have that. My remarks are going to be on behalf of Next Step, who couldn't make it today, and then also for Augusta Communities. And they are a little more disjointed because I started answering some of your questions. So I am going to start with answering some of your questions from the last question and answer and then I will go into my remarks.

As I said, my name is Suzanne Taylor. I am the president and CEO of Augusta Communities. We are a 501C affordable housing organization founded over 20 years ago. We serve 1100 households, 3200 residents. We have five ownership entities, and another service-related entity. We have about $95 hundred million in value. We have two types of non-profits (unintelligible). We also provide consulting services to other nonprofits and to housing authorities. So we have a broad viewpoint.

I am going to just start with my questions. I just wondered when somebody asks, what best practices can we do? Are you talking about on the homeownership side or the property management side or the lending side?

UNIDENTIFIED SPEAKER: Best practices overall (unintelligible).

SUZANNE TAYLOR: Okay. With regard to how you communicate your loan products, I'm telling you, if anybody has ever lived, visited, lended, been to a mobile home park and tried to just kind of sneak around and look at things. They all know what you are doing all of the time. So put the word out and look out in about five minutes.

The (unintelligible) benefits regarding how you rate a property in order to be able to get a favorable loan? I would recommend that you look closely at affordability covenants on that property, it will stabilize your community. You will always have a stronger social organization within the community, it keeps people there. Their rates are low. They get -- they like living there. So with the covenants they know that they can stay there for a long time and your loan will be secure.

When you have covenants on a property you also have a variety of different best practices related to those covenants and compliance and oversight in all kinds of different areas, including reserves, inspections, support services, community management, succession plans, (unintelligible) plans, financial modeling, blah, blah, blah. They are all looked at. So it provides a really stable community. And (unintelligible).

Our appraisals in our communities are not -- this is in my notes from your questions -- the appraisals in our communities have really not been a problem, whether it’s a home that is selling for 50 or they are selling for 300. Mostly because, I believe, of those covenants and how we practice our best practice management practices. That was really hard to say. We have really a low, low vacancy rate. We are not even at one percent, and we have been doing it for 20 years. We are like 0.01 percent.

Now I’ll go to my prepared remarks. Augusta Communities -- I am going to be speaking right now on behalf of Next Step network. They are a nonprofit social enterprise working to put together sustainable homeownership within the reach of everyone while transforming the manufactured housing industry through consumer education, affordability and energy efficiency. Next Step believes that manufactured homes are an important part of the solution to the affordable housing crisis and all those residents are typically underserved. Manufactured homes offer a balance of affordability, particularly energy efficiency. I can you tell it is really important in our communities because what's driving up the housing costs now is the energy, not their mortgage and not their land rent. They have reported that makes owning a home possible for individuals and families priced out of the site-built housing market. Or maybe they just prefer living in a mobile home park community. I think you’d be really surprised.

We, Next Step commends FHFA and the GSEs for the impact they have already created in the manufactured housing space, working productively with partners across the county they have made a real strive for increasing access to affordable homeownership in manufactured homes. However, both Augusta and Next Step’s network of partners also recognize that more needs to be done to ensure that manufactured homes are a viable homeownership option in communities nationwide.

The network encourages GSEs to be leaders in raising awareness and building partnerships that promote for uniform zoning and building codes for manufactured homes. Restrictive zoning prevents expanded use of manufactured homes and contributes to NIMBYism that restricts access to housing options.

The GSEs should also consider a larger 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 GSE Duty to Serve plans.

I would like to talk about that on the local official side. I believe they have very little understanding of what these communities are all about and pretty much try not to drive through communities. They see them as private communities and not part of their public housing stock.

Let's see. Additionally, we recommend that FHFA consider giving the GSEs credits for increasing the percentage of AMI as opposed to the current 80 percent up to the widely accepted 120 percent in high-needs regions, especially in rural and high-cost regions. This would increase more opportunities for (unintelligible) homes, for homeowners maybe interested in replacing their homes, but lack the capital to do so.

I am going to skip over some of these because I think they have been talked about by a lot of the speakers so far.

I would like to talk about my particular concern. That is aging housing stock in land lease communities. When you have homes that are-- become unhabitable, unhabitable because of age or lack, or poor management-- maybe we come in and we buy a community that has been neglected. We have to pull out those homes. And you have to keep occupancy high to have a thriving community. You have to keep occupancy high to have appraisals come in well. You have to keep occupancy high to run a community that’s a high-quality park. Once you do all of these things, your loans are going to be secure whether it is the land loan or whether it's a home loan.

These supports on the chattel – a really important innovation in terms of getting a loan product to fill up those (unintelligible), either with homebuyer programs or with business loans for property owners to bring in new homes for rental property maybe, eventually be able to sell them to homeowners. There is just nothing out there that provides a park owner, even one with a long-standing reputation of providing affordable housing and having a good reputation in the industry, to get a loan to bring in homes for rent or to re-sell.

All the things that also Susan talked about in terms of lending requirements and lending law. We support chattel lending in communities where properties with income and affordability covenants, including ROCs, nonprofits and publicly-owned housing. To serve more families, the GSEs should also consider implementing a standard 30-year fixed-rate mortgage for various sizes of homes including single section homes, purchases and ADUs. We have mobile home communities that are designed for single section homes. We don't, like, put a double-wide on a single section-- on a park that already is designed for single-wide. So we need that.

Single section homes and ADUs are needed to serve the senior housing market and also are of interest to young buyers who are interested in having shared community space and experiences. High-efficiency (unintelligible) are important for our resident population.

Regarding the Duty to Serve buyer protections, we support the list of protections, except the one that limits the homebuyer to sublet in a land lease community. This (unintelligible) is not supported by our residents or our property managers or our board members. In land lease communities, subleasing of a home that is sited on a land lease -- on land that is leased (unintelligible) complex management issues and legal issues that are hard to resolve. Assigning the lease power is not a problem. That was an alternative.

Regarding best practices in evaluating the capacity of a nonprofit, ROC, or other landowner, S&P has a standard criteria they've used for a number of years in evaluating their bond market with manufactured housing. We are currently rated A+. We just got our new rating yesterday. They did tell us in that letter that they are revamping the criteria, expecting our rating to go much higher. So that revamped criteria is based on years of experience now in the manufactured housing bond market. I think you'd be well-served to be informed by that criteria. I don't have it myself yet. But I know their old criteria is published. I think they can share that with you, and you talk about best practices. They have a big long list of criteria.

Let's see, I think I have one more thing. Programs like MH Advantage have been valuable to some communities. But they have certain criteria like the pitched roof and the lower profiles that are not appropriate for our land lease communities, especially when they are-- the density is greater. So we would like you to look at those again for our communities. Thank you.

CARLOS TENA: Good afternoon everybody. Thank you guys for being here. My name is Carlos. I am the vice president of Programs and Services for Neighborhood Partnership Housing Services. We are a nonprofit located out of Rancho Cucamonga, about 40 miles east of Los Angeles. We service all of LA County, Riverside County, and San Bernardino County.

The majority of folks that we are servicing are from the Riverside County and San Bernardino County, and that has a lot to do with affordability. Where it’s largely known to be affordable for some folks, but affordable to who, really? That's what it really comes down to. And back to the AMI, as you guys have all been talking about, we recently ran into the issue where there is no (unintelligible) that are 80 percent AMI buying homes right now, unless there is a really large subsidy (unintelligible). We offer downpayment assistance. We’re a CDFI. We’re a borrower help center that educates about 2,000 people, families for homeownership. And we have downpayment assistance we can't move because we can't find homes to purchase. So the 80 percent AMI boundary is pretty much priced out for California.

But I know I’m -- we do, we are currently focused a lot right now on creating a CLT and really trying to help the homeless, actually – we’re kind of focused on homelessness right now, too, and building homes for them or small cottages as we call them. But I know the topic here is manufactured housing so I will get into that.

The way we got into manufactured housing was pretty much organically. We get approached by local cities and municipalities with their infill lots, for them -- for us to develop as an infill developer, as a state CHDO, that we are certified. And the way we came to the local city that came to us (unintelligible) San Bernardino, so they approached us and had some empty lots. And when we said, okay, well, let's start developing them, we started -- first we always start off with infill. That's just natural. We just-- what we have done in the past.

And when we started penciling it out and putting the numbers down it made no sense to build it. We didn't have the equity to lose, as a nonprofit, to be able to take the hit on it because it would cost more in the materials than to actually build the home and sell it and these homes need to go to an 80 percent AMI family. So there was state funds.

So we looked into the manufactured process of it, of putting down a manufactured home on a permanent foundation. And as a Next Step member, with their expertise, they came in and they helped us out with it. So we did, we built them. There was -- there has been political will when it comes to it from the city, local government. If there isn't any, they are going to run from the NIMBYism, you understand. Unless there is political will those projects aren't going to move, when it comes to manufactured.

So we were able to put three manufactured homes on permanent foundations. They were – the energy, we have everything. We put solar panels on them. Unfortunately, I don’t have pictures to show you guys today; I know Jennifer can show you some good pictures. So we did. And they look beautiful. You wouldn't be able tell that they are even -- they are part of the neighborhood. I honestly thought they were probably the nicest houses on the block. And they look -- people around the neighborhood were happy to see it. They started fixing up their homes thinking, oh my god these homes look beautiful and our homes aren't keeping up with it.

But then the challenges came, that we weren’t aware of. These were (unintelligible) investments for us, the financing for them. At the time we didn't really understand what the financing looked like from the manufactured standpoint of view. I know that the Duty to Serve had an impact (unintelligible) understand the financing. We didn't get all of (unintelligible). We ran into where we were only able to finance the families with a combined loan to value of 95 percent. And that right there alone tells me, 80 percent AMI, you need to come up with $17,000. And we had the downpayment for them. We just didn't combine it with the loan because it only combined up to 95 percent. So we had that challenge.

The appraisal challenge is huge. So honestly it really comes down to educating, from the Realtor to the lender to the appraiser. Because we have Realtors on the property saying, oh no, I am not going to sell this home. I am not going to sell a mobile home to my customer, my client. So there is that perception as well. But the financing was a challenge. The appraisers were a challenge because we had -- we had so many appraisers. We had an appraiser who did the appraisal, and right off the bat cut $30,000 off the cost. He just said, it’s manufactured. You can't compare apples to apples.

So I am glad to hear that Freddie and Fannie brought out (unintelligible) these products that obviously, it mandates that the appraisers have two comparables of stick-built, because honestly they look stick-built. So that's been kind of the challenge for us with it.

And now that we have it there is nothing bad I can say about what you guys should do about the financing. I am glad it's out now. It was a learning lesson for us. Because prior to that we had built modular homes. And modular homes and manufactured homes are built-- they are similar or almost the same, but yet the financing is totally different. You get modular, a traditional mortgage up to combined loan to value of 105 percent where here it was just families -- it was really hard to get families into homes or be affordable to families who are low-income in the homes. Thank you.

JIM GRAY: Thank you. Okay. So we are ready to move into questions for this panel. Who has the first question?

UNIDENTIFIED SPEAKER: I will start with one. Can you say (unintelligible) talk about a little bit of some of the issues regarding subleasing in communities, regarding (unintelligible) what are the kind of issues you run into, and expand that a little bit?

SUZANNE TAYLOR: Well, you have -- we have mobile homes – our mobile home residency law in California is a little different than, I know, across the country. But the way that you manage your park -- when you have a sublease situation, you have a lot less control. So most of the time when someone is subleasing, you don't know that they are there until months after they are there because they haven’t let you know.

They may not have qualified to live in your park community, not paying their rent on time. They may not be following the rules and you just have -- the inability to enforce it is great and then the neighbors get mad. They don't like the sublessee. It's hard to evict someone who is two layers down. It's just very difficult to manage.

UNIDENTIFIED SPEAKER: So the Duty to Serve – like the components of the sublease requires that the borrower, the sublease, you must follow the rules and regs, the vetting process that the community has set up. So there is going to be some vetting done by the community owner and they must – if the resident wants to sublease they must follow the rules.

SUZANNE TAYLOR: But I think that the vast, vast, vast majority of community owners in California would not be in support of that. It's hard enough to manage anyway, much less have the ability to enforce that lease. You are not the enforcer of the lease. The homeowner is the enforcer of the lease. You have to enforce the homeowner to enforce the sublessee. You know what I mean?

Now, if you assign the lease that’s fine, because now you are not the sublease. You are holding the lease or the rental agree in most cases actually in California. Does that answer your question?

UNIDENTIFIED SPEAKER: Yeah, OK.

LYNN FISHER: I have to give Todd a shout-out, right? Well-played. (Unintelligible) manufactured housing is one of the coolest innovations in the last century. It was clearly popular for all the right reasons. (Unintelligible) possible for all parts of this country. (Unintelligible) the paper he was referring to where we looked at factory-built housing across the country. It's a really interesting historical context and industry.

And one of the things that paper points out is manufactured housing grew up through a completely different industrial organization as compared to home building. That's one of the challenges we face all the time, is just how we communicate who does this. And we have to get land, then you have to get the home and you have to somehow join these things up and all of these complicated arrangements that we are talking about.

So part of what happened when doctor, Director – I always say doctor because he is doctor but he’s also Director (unintelligible) – Director Calabria came on board is we just needed to pause, that’s where we were in the process. It is complicated. It is potentially risky. And so even as we are moving lots of other big pieces around the table, I think it's worth reiterating: Duty to Serve is in statute. It is something that the Enterprises are told in HERA that they must do and something that we will absolutely continue to support, these activities, even as we are reviewing them and thinking through, the planning process, which is just getting started. So all the feedback I am hearing today is really super helpful in giving us (unintelligible).

MIKE DAWSON: I’ve got a question for Steve. Can you discuss, kind of the ownership structure of the ADU business that you are in? You mentioned that you are renting people's property, the land, from the homeowner. Do you have an ownership interest in any way, shape or form? I am just trying to get a feel for how that structure works.

STEVEN DIETZ: Sure. I will be quick. What we have is a leasehold estate. So we basically lease that piece of space (unintelligible) to the street from the homeowner for typically 15 years. We record that leasehold estate. That's our interest. And then (unintelligible) at the termination of that lease, we leave. The fixed improvements belong to the homeowner. Like in a commercial lease.

MIKE DAWSON: And then you share the rent back, right?

STEVEN DIETZ: Yeah. So what we do is, the homeowner gets two things. They basically get the appreciation on their property as a result of the additions. And the second thing they get is a portion of the rent. It typically works out to between $4,000 and $10,000 a year that the homeowner gets paid.

MIKE DAWSON: Do you bring in structures? Do you build from the ground up in some circumstances?

STEVEN DIETZ: So part of the law says we will change (unintelligible) if we demolish the existing structure. It's really hard to retrofit a 70-year old garage. Most notably it’s really hard to change the foundation. So we demolish the existing structure and the most cost-effective way we’ve found to do it is to bring a manufactured home in in two pieces. For a weird reason, if it's one piece it's just too big to move on the street. From the city you need a crane to get it over. But since the homes all have a (unintelligible) foot long driveway we’ve figured out a way that we can actually use a forklift and move the two pieces right down the driveway.

UNIDENTIFIED SPEAKER: Are they model homes?

STEVEN DIETZ: Model homes?

UNIDENTIFIED SPEAKER: Park model?

STEVEN DIETZ: No.

UNIDENTIFIED SPEAKER: Do you build them?

STEVEN DIETZ: Yeah (unintelligible). We build them, they're not HUD homes.

UNIDENTIFIED SPEAKER: Does that create an issue, do you have to subordinate the first loan on the property?

STEVEN DIETZ: We're definitionally supportive, structurally subordinate. So a lender with us would actually have a first lien and with the collateral being leasehold estate, but structurally it's subordinate to the first lien on the primary property and so we have to make sure we (unintelligible) appropriately.

UNIDENTIFIED SPEAKER: Steven, did you say they were not HUD homes? And if not, why not?

STEVEN DIETZ: I don't think I know the answer to that, as to they why not. Actually, I do one small answer to why not. Our structures are 18'9" by 17'6" and so they go right on the property line with two walls and HUD requires a second entry and there is nowhere to put it, because you can't put a method egress on the property line. There is nowhere left. We've got property, property, wet wall, and the front door. So it's a really strange reason that we can't do it.

UNIDENTIFIED SPEAKER: You don't have a 3' setback?

STEVEN DIETZ: No setback. We get to rebuild on the footprint of the existing structure. So in our case if it was 3’ setback you could squeeze a door in somewhere. But we actually, most of our units have like six inch set backs.

UNIDENTIFIED SPEAKER: Todd, a question. What would you view as being a (unintelligible) volume index in the next phase of the plan? So for reference, Fannie Mae, chattel would represent a little less than ten percent of our volume next year if we purchase the amount that is stated in the plan. You sort of expressed that wasn’t sufficient. What would be (unintelligible)?

MR. KOPSTEIN: Well, there is new homes -- the used home market was talked about earlier, which is probably not (unintelligible) at the moment. We will stick with the new home market for now. There is, call it 100,000 shipments a year. Something like 20 to 25 percent, I’m going to guess attach to residents with low incomes so that’s 25,000 homes. You know, I think if you were to be involved in, as a pilot program, 5,000 homes, 4,000 homes, something like that, that would be meaningful. If it was just a couple hundred it doesn't do anything. It also has to be sustainable. It can't be, we’re in and we’re out. If you establish a program it has to grow over time to be significant. And that way a lender can depend that you're going to be there and they can be confident (unintelligible).

JIM GRAY: Suzanne, you covered a lot of territory. One thing that may be really helpful is if you could go back over, briefly, is -- I think you had a specific suggestion on the AMI. Could you elaborate on that?

SUZANNE TAYLOR: Yeah, I come from -- I come from an affordable housing background. So in California, for example, (unintelligible) other state programs and other federal programs it goes up to 120 percent AMI. Everybody understands that. So it wouldn't be a hard sell. They'd go oh yeah, 120. That's a moderate figure, if it was low to mod.

JIM GRAY: So you're suggesting just that we, instead of 80 we go to 120?

SUZANNE TAYLOR: Yeah, it's just the vocabulary that everybody understands. And as most people have already talked about, you can't serve the 80 percent market very well anyway. Sometimes you want to sell up to 80 percent, but you might be held to 120 because of the pricing.

And then you have to help (unintelligible) consider the lower income, collectively lower income households.

JIM GRAY: Okay. All right. Are there any other questions for this panel?

TODD KOPSTEIN: I just wanted to add. I wanted to make sure that I was referencing chattel homes because I think there is a market already (unintelligible) in purchasing land homes and that sort of (unintelligible) doesn’t move the needle (unintelligible) overlap where the FHA is. So where there is a real need is in the chattel sector.

UNIDENTIFIED SPEAKER: If I may add something, (unintelligible) the AMI. So we counsel, and our counselors are HUD-approved counselors for about 2,000 families a year and right now there is a gentleman here from Cal HFA. They are probably closing about-- 70 percent of our loans are closing with Cal HFA because they’ll go up to 150 percent AMI and it has downpayment assistance attached to it.

UNIDENTIFIED SPEAKER: You said 150?

UNIDENTIFIED SPEAKER: Yes.

UNIDENTIFIED SPEAKER: Good for them.

JIM GRAY: Okay. All right. Well, let's give this panel a big round of applause. And I think we are ready for our last panel.

RONALD MALDONADO: Good afternoon, everyone. My name is

Ron Maldonado and I work with Housing, Navajo Partnership for Housing. We are located in Gallup, New Mexico. We primarily serve Native American families in our area.

Unlike you, I am not immersed in the background of finances and housing and everything. I am a homeowner. I became immersed in housing because I became a homeowner. We were lucky enough 20 years ago this year to become homeowners on the Navajo Reservation. We got the first conventional mortgage done on trust land, Indian trust land, thanks to Fannie Mae. So thank you all. I also got first equity loan. Thank you Freddie Mac.

Housing in Indian Country is very strange. We have a lot of land in the Navajo Nation, it is largest reservation in the U.S. We have 60 million acres and growing. Navajo Nation has a very aggressive land buying program. We keep buying (unintelligible), we keep getting bigger and bigger. But one of the issues that we hit on a lot is a lack of funding for construction and for infrastructure development. There is no housing stock out there, none whatsoever. So every home that we build, every home that we mortgage and finance, is from the ground up, everything.

So the available housing out there is through TDHE, the tribally-designated housing authority. Enterprise, essentially, they get their money through Congress, through NAHASDA so they have a lot of money. We don't. We are a standalone nonprofit. We were created by the Navajo Nation at request about 23 years ago. Also we are the only Native charter of NeighborWorks America.

So I have a long history. I have sat on the board for 12 years, I’ve left, came back. My introduction into housing was becoming a homeowner and realizing just how difficult it was to become a homeowner in Navajo County.

So we run up against three things in Indian Country that stand out the most. Number one is educating our youth for financial literacy and homebuyer education. We have students who graduate from high school, they go off to college, they go to college, they get a credit card and they get in debt and they don't understand debt. It becomes almost overnight.

We have some of the largest truck sales companies, Ford, Chevy, you name it, in Gallup, New Mexico. They sell more pickup trucks per capita in Gallup, New Mexico than they sell anywhere else in the United States. That’s because Navajo families when their taxes come in they buy a new truck. Trucks are disposal on the reservation. You buy one, maybe a year later, two years tops, you go out and buy a new one. Mine is going on ten years. I am a homeowner.

So we do need that. And I did speak to someone about a year ago at OFN from Freddie Mac and we talked about their program for financial literacy in high schools. So we would love for you to come out and spend some time with us on the reservation. (Unintelligible) is I need a little support to get the Navajo Nation to sign the MOA again with Fannie Mae. During the housing crisis it kind of fell by the wayside. So we no longer can do Fannie Mae guaranteed loans on the reservation because there is no agreement. We did about, I would say, about 50 before the housing crisis, which doesn't seem like a lot, but on Tribal Trust Land that's a huge number.

We continue to build. We do have mortgages. We are a CDFI, we're a Native CDFI so we do loans. We do downpayment assistance. We do grants, second mortgages, gap lending, you name it we do it. We started our own construction company, we have a very small construction crew but we are in the process of building five houses right now. That's the only way to go. If we are a construction company we control costs and we control the quality of homes. So we have kind of incorporated ourselves and reached out with many arms inside of the community to do everything we can to bring affordable housing to the Navajo.

The houses -- I have to tell you that the houses we are building now are not affordable. They are in the $300,000 range. But that's the reality of it. We have Navajo families who can afford $300,000 or $400,000 houses. And on the other spectrum we have Navajo families that have no income. About 90 percent of the people who live on the reservation don't have running water in their homes and don't have electricity. Most of them pull water, they have plastic barrels and they can fill up water from the local chapter house which is a small community kind of government, local government, they go there and fill up their water barrels and drive them home if they have a vehicle. If not, they depend on someone else to help them.

That's where the money comes in for infrastructure development. We are in the process of talking to the Navajo Nation to give us a master lease so that we can come in, put in infrastructure and build a housing community essentially. Because all of the land on Navajo essentially is controlled by the nation, but is also (unintelligible) by separate families with use permits, it could be a grazing permit, a farming permit, some kind of use permit. So the families control it. Navajo nation is slowly clawing back that control that was given to the families by the BIA back in the 1920s and '30s.

So with a master lease and funding we come in and actually build infrastructure, start building houses and start building affordable housing for families who really want to live on the reservation. So I talked about education for our students which is sorely needed, money for infrastructure, which is sorely needed.

And then the last thing that we are working on, and I think is really kind of a great thing for us, is we are moving towards becoming a correspondent lender for Fannie Mae. So we will not only build in Navajo, we will build essentially the Southwest, tribes in the Southwest area or anyone else who walks through our door. You have to understand that New Mexico has 23 Indian tribes within the state. Arizona has 21 Indian tribes in the state. The Navajo Nation is in three states. We are in New Mexico, the lion’s share in Arizona, and a very small portion in Southern Utah. So we cover all those areas and Utah has probably 10 or 15 tribes. Colorado has probably a dozen tribes. They are just scattered everywhere. And everywhere you go people talk about the need for affordable housing.

And the need for affordable housing is for that person who works, has a job, but they can't buy a house. Natives are tied to their land essentially. I myself am not Native American, I am Hispanic, but I have lived on the Navajo reservation for 25 years. My wife is Navajo. We live in her family’s traditional use area. That's where she grew up, her grandparents were there, great grandparents were there. It's long history. Now we’re there.

So Natives are tied to their land and that's where they want to build. They want to build houses where they belong essentially. So we do run into folks who live on the reservation and we run into folks who don't want to live on the reservation and that's just fine. We work with everyone essentially.

So I think that's really all I really wanted to say, is that, I understand -- you know, I sit here and I listened to every one of you here talk today about housing and the need for affordable housing. Now I was here about two months ago and I picked up one of these real estate papers, and I was amazed at the cost of housing in LA, in this area. It was frightening. So thank you all very much for your time.

JIM GRAY: Thank you.

JAY HARRISON: Good afternoon. My name is Jay Harrison. I am here from Clearinghouse CDFI. And I wasn't going to speak today. So if I look unprepared it's because I am. But it's really, really very funny, I had not met Mr. Maldonado until he just sat down right next to me. I am very pleased to say that a report that we actually did on a New Market Tax Credit deal building a water filtration system there on the reservation, and I saw firsthand what you are talking about with the water barrels on the porch and stuff like that. So the idea to build the infrastructure.

I think that’s sort of a good segue to my overall arching theme, which is, you know, I think about, you know, Duty to Serve. Just wanted the agency to know that you heard from a few CDFIs already; don't forget that you have a partner that maybe you are not taking full advantage of in the CDFI industry.

On our behalf, we are a for-profit CDFI. We are located in Orange County, California. We have a footprint all through the Southwest. Our market niche is we lend on real estate mortgages, both commercial and residential. And those look very conventional, but the reality is there’s something unconventional about that. Generally it's the borrower. It may be a nonprofit. It may be a church. Some, or the source of repayment is unusual. And so, oftentimes it's difficult to take that product and push it through a pipeline of secondary mortgage processes.

We have had some very good relationships with the GSEs, albeit limited. We were the first non-depository member of the Federal Home Loan Bank system and that is a very good relationship. And once upon time, where is Mike, there is Mike, there was a Fannie Mae program, a loans to intermediaries program that was, you know, very helpful to us.

I should say that after 22 year of business making, you know, loans that are non conventional, you know, people don't come to us unless they have been turned down by a bank already. I have to say that in the 22 year history of the company our charge-off experience has been about 70 basis points, well under one percent. There was gentleman here earlier talking about data. I'm pretty sure that's as good or better than the regulated financial institutions themselves. And so I have to reflect on that a little bit, that we actually have a lower charge-off rate doing the loans the banks themselves wouldn't do.

So I think that says something about risk. I think it says, we talked a little bit about ratios and things like that already. The ratios don't always tell the entire story. Maybe what is needed is that extra time and energy that CDFIs and other lenders like CDFIs can provide, you know, holding the hand of our borrowers and things of that nature.

So in the final analysis I would like to encourage the GSEs, maybe rather than thinking about CDFIs as pushing product to you, maybe the answer sits on our balance sheet. We have been very successful at receiving loan funds, low-cost loan funds, a stable source of funding to allow us to do the types of deals that we do. Let us worry about the credit risk.

I should say, in addition to having low credit risk experience, we are also S&P rated. I heard that from another CDFI, colleague of mine at Century Housing, they are also S&P rated. I don't think non-conventional and risk are necessarily the same thing. So, we would love to be your partners in an ever-increasing way as we both work on our Duty to Serve. Thank you.

SAM LIPSHUTZ: Hi everyone. My name is Sam Lipshutz. I lead Fannie Mae’s rural initiatives on the multifamily side of the house. Thanks so much for being here. Ron, I was just talking to Kellie Coffee a few minutes ago and I just want to tell you that she says hi. I expect that you are working with her on all of these things so thanks for the shout out.

My first question was for you. When it comes to importance of financial literacy and education, home buyer education, what are some successful models and partners too that you have seen and worked with over the years?

RONALD MALDONADO: We do financial literacy and home buyer education as part of our program. We have been doing that for 23 years now. So everyone that walks in the door essentially has to go through the certification, through home buyer education and through financial literacy. We would like to, when I say we, I mean I, as the board president, I would like to see this expand into our schools.

I have talked to our current president, President Jonathan Nez with the Navajo Nation, about bringing financial literacy to the schools. He's very much in tune with that. He ran on the platform essentially of bringing affordable housing to the Navajo Nation. So we have been working very closely with them for the last couple of years. But that’s what we would like to see, is to have that in our schools.

As I mentioned earlier, when kids graduate to go off to college or to go get jobs and the next thing you know there's a brand new truck and it's a continuous cycle of buying vehicles because they have no place else essentially in their minds to put their wealth.

MIKE DAWSON: Okay. You've been dealing with the Enterprises now for a while. What would you like to see, what would you like to see the Enterprises change in how they interact with you and your community in the form of, you know, we talked about education, but, you know, how should we change, if any, change our approach in working with your organization?

RONALD MALDONADO: You know, I am not really sure. That's a really good question. And I think it's just being more visible in Indian Country, not necessarily just on the Navajo reservation but in Indian County in general. I think that's kind of one of the pitfalls that we see, is that people are really unaware that Fannie Mae exists and that Freddie Mac exists. I have to be honest, until I became a homeowner, I didn't realize that you guys existed.

MIKE DAWSON: You could say the same about my mother. She thinks I work at Fannie Mae.

RONALD MALDONADO: I think that visibility would be really good, you know, having -- I don't know. Maybe, you know, doing something with leaders. I know the Duty to Serve has focused on that, but I think just being more visible within Indian Country would really help.

MIKE DAWSON: Thank you.

SAM LIPSHUTZ: I have another one for Jay. Could you just tell me a little bit about your organization's experience with tax credit deals and if it's easy or difficult to get tax credits in your state.

JAY HARRISON: Yeah. So from a New Markets Tax Credit perspective, for us to fund—

SAM LIPSHUTZ: I am sorry. I'm talking about LIHTC, but also New Markets.

MR. HARRISON: As a lender we are not really competitive in the State of California, lending on LIHTC projects. It's just a simple matter of fact that our fund's too high. And the financial institutions-- that seems to be pretty well-trodden ground. So we don't participate generally. We do construction loans on apartments, they're just not LIHTC deals, generally speaking. So, once again, we are sort of on the edges of that world.

We -- if I can talk about New Markets Tax Credits, and I am glad you brought that up, because New Markets Tax Credits can be used for affordable for-sale housing. It cannot be used for residential rental. But we have done a number of deals where we have done for-sale affordable housing. And what's kind of neat about that -- those models tend to revolve. And if you build it and sell it within the 7-year compliance period you can do a series of different deals.

I don't know if any of the GSEs have an appetite as a purchaser of tax credits. I heard that earlier, and that was very interesting to me. Because if you have the capacity or the need to purchase New Markets Tax Credits you could drive, I think, a lot of allocation towards for-sale affordable projects. It's seldom done. But the reason it's seldom done; investors typically aren't interested in that particular area.

UNIDENTIFIED SPEAKER: I do want to ask, I guess, I am surprised about that. I am surprised this hasn't come up. We always hear a lot about Opportunity Zones. I'm just curious on folks' impression of that topic, and if you see it as a beneficial resource.

UNIDENTIFIED SPEAKER: We just closed our first Opportunity Zone project. It's in Koreatown here in Los Angeles. It's our first time out of the gate. Our purpose of getting involved in that program is to try to make it impactful in a positive way in the community. It was a small deal, relatively speaking. We are seeing large dollars chasing these deals and you know, from my perspective, they don't seem particularly focused on positive impact in the community. I would say that generally they are deals that would get done anyway, so they make a good deal better.

And so I can't say that we did-- it was a housing deal. There was not affordability. But we are trying get in here and get our feet wet the first time around, and then try to figure out how we can play a role in providing affordability that wouldn't occur otherwise. I can't say that motivation is consistent with the investors, but that's what we are trying to do.

UNIDENTIFIED SPEAKER: That's really helpful. My only concern, a number of folks behind you who started raising their hands. Is that okay to go on talking?

JIM GRAY: We need to wrap up here before long. But maybe we can have them draw straws and one of them can (unintelligible). This will be the last.

UNIDENTIFIED SPEAKER: One of the things that we saw on Opportunity Zones is simply that the state determines where the Opportunity Zones are located in California. And they’re in places where the opportunities for affordable housing kind of are difficult to achieve. And the competition for the resources there, i.e. those properties, is too strong and kind of (unintelligible) the time we go in to acquire them -- that's just from a limited amount of experience that we have.

COREY ABER: Jay, you mentioned you do construction loans for apartments without tax credits. So I am assuming because you are a CDFI, that these are affordable apartments. How do you make that work, because it’s so expensive to build?

JAY HARRISON: Yeah, so the borrower is coming to us for some reason. They don't have the option of going to a conventional bank, you know, getting a LIHTC deal. Some of our borrowers have subsidy outside of LIHTC in other areas. There are municipal programs and other things where they are getting their subsidy and we have a number of relationships with developers who are nonprofit developers who are frankly better than we are at putting all the subsidy packages together. So we are sort of the last source of funding.

MIKE DAWSON: Jay, you are talking about a couple things, actually, from a CDFI standpoint. We have several seller-servicers for Freddie Mac that are CDFIs and we encourage, or actually we have been in discussions with – we kind of don’t encourage -- we want to be realistic in the form of, it can be expensive to not only, not to apply to become a seller-servicer but the ongoing maintenance for seller-servicers can be expensive.

There is two options: you can sell directly to us or indirectly through other aggregators of loans, or even other CDFIs. And it sounded like, too, in your lending for both of you, you do put loans on your balance sheet. Is that right?

UNIDENTIFIED SPEAKER: Yes.

UNIDENTIFIED SPEAKER: Virtually exclusively for us.

MIKE DAWSON: So let me think about in the future, I would be happy to set up a call and have this discussion. We do buy seasoned loans off of balance sheets. And, you know, it would be helpful if you could get an understanding of what those parameters are that we would generally purchase from. So that, you know, when those loans season or continue to season on that balance sheet there may be that opportunity for us to purchase. I think just so you know what to expect, kind of, and know those purchase parameters it would be good to have that understanding up front. But we love to buy seasoned loans and pay cash for them in that forum but you've got to spend some time understanding what those parameters are.

COREY ABER: I think it’s worth adding on to this. I’ll just do -- on the multifamily side, we do securitize loans from CDFIs, from other small financial institutions. We’ve done two (unintelligible) pools this year with CDFIs (unintelligible).

JIM GRAY: Okay. I think we have come to the end here. So I want to acknowledge this panel. I also want to acknowledge the three people over here who have made the whole thing work, that's Arun Barman, Rebecca Cohen, and Laurel Gourd. So thanks to the panel. Thank you all. (Meeting concluded.)