Jim Gray, FHFA

Thank you very much and thank you to everyone who is taking the time to join us today for this fourth and final Duty to Serve public listening session cosponsored by the Federal Housing Finance Agency, Freddie Mac, and Fannie Mae. FHFA, Fannie Mae, and Freddie Mac all place a very high value on public engagement in the Duty to Serve program and have from the outset of the program. As most people on the call probably already know, Congress targeted Duty to Serve at markets that have been historically underserved by Fannie Mae and Freddie Mac relative to other parts of the mortgage market. The Enterprises have great capacity to improve the flow of capital in these markets. However, neither of the Enterprises nor the Federal Housing Finance Agency has a monopoly on the ideas about the best way to reach these markets. Others, including many of you who've agreed to participate in this webinar, have that expertise.

We are very interested in hearing what you have to say. This fourth webinar listening session follows in-person listening sessions that we held at the Federal Reserve Bank of St. Louis, then one at the Federal Reserve Bank [of San Francisco] in Los Angeles, [and] finally, last week at the Federal Housing Finance Agency here in Washington. We're offering this webinar for people particularly who found it not convenient to attend one of the in-person [sessions]. The first part of this webinar will be an opportunity for Freddie Mac and then Fannie Mae to present a summary of their 2018 performance and the hurdles they experienced in their performance.

Then we will proceed with the opportunity to hear from those of you, the stakeholders, who are participating with us in this webinar. I will now turn it over to Mike Dawson at Freddie Mac for a 10-minute presentation.

Mike Dawson, Freddie Mac

Thank you Jim. Good afternoon or good morning to all of you. I do want to thank FHFA for coordinating this and the previous listening sessions [which] have been very informative and helpful to Freddie Mac, not only meeting some new folks out there, but getting to see folks we've known for quite some time. Again, this is Mike Dawson; I'm Vice President of Single-Family Affordable Lending and Access to Credit. I'll be tag-teaming with my colleague Corey [Aber] from Multifamily.

First off, I do want to start off by saying our commitment hasn't changed in ensuring that our efforts related to these three underserved markets continue to be part of the fabric of our overall business. As many of you know and have seen over the past, the best use in a lot of ways of our capabilities here at Freddie Mac is a catalyst for change, driving scale where it makes sense—not always, not completely across the board; scale makes sense in some cases, driving standards and standardization—but also, as importantly, to drive consistency, ensuring that our products [and] programs are there for the long term. It does nobody any good if we introduce programs or products that are not thought of as long-term solutions in any of these markets. We'll also test and learn, to look at pilot activities that then we can develop more, longer term solutions.

None of this works as we're providing long-term, sustainable liquidity in these markets if we don't prepare and help a potential homeowner, existing homeowner, [or] existing renter to be successful in what they're doing in whatever their path they choose, for home ownership, or rent-- or renting a home. First and foremost, we want to make sure the individual is successful going down this path. The other big piece of our activities is [to] ensure that investment capital is used productively and effectively and distributed widely with our partners throughout the mortgage ecosystem. In addition to weaving that into our risk distribution capabilities to ensure from a safety and soundness standpoint, again, we look at all of these activities from front to end, as it were. Lastly and most importantly, that your and our collaboration, with all of you on this call, and those that we've worked with over the years here in supporting business and the needs in your areas. We can't do it alone, and so your thoughts, feedback, and support have been instrumental to where we sit today.

Corey Aber, Freddie Mac Thank you, Mike. This is Corey Aber. I am the Director of Mission, Policy, and Strategy for Multifamily and oversee Duty to Serve for the division. You know, as Mike was saying, fundamentally our goal with Duty to Serve is to help the housing finance system work for more people in more markets. In our first plan, you're looking back over that, we were looking to do two things at once. We wanted to have an immediate impact where possible and where we have a lot of experience in the market. Then we also wanted to build partnerships, build capabilities, and build understanding—not just for us, but for those who are not necessarily intimately involved in these markets—across all three markets—so that we can improve the flow of investment capital, attract more private capital to these markets, so we can provide that sustainable liquidity over time.

That entailed, you know, certainly a lot of loan purchase activity. I think you saw that a lot in our affordable housing preservation and multifamily. You saw it in our single-family side as well. It also included new offerings that we developed and a fair amount of research. Research for us, research for you, and research for our investors whose capital we need to keep liquidity in the market. That was our focus over the course of the first plan, our strategy behind that plan. When we look, you can see in our highlights from that first plan, you know, across single-family and multifamily, we had a lot of activities that worked towards those goals.

In the manufactured housing space on the community side, we launched a resident-owned community offering. We purchased a loan on a resident-owned community that’s actually the third that we have purchased over time. We enhanced our manufactured housing community offering for all MHCs to include incentives for tenant protections, and we also began purchasing loans this year on communities that have a complete set of Duty to Serve tenant protections.

In the rural market, we invested a substantial amount of our LIHTC equity authorization. We created the mapping software that can help all in the market understand better where affordable properties are and channel support to them. And in the affordable housing preservation market for multifamily, we deployed nearly $7.7 billion in loan purchase and guarantee volume to support various programs in affordable housing preservation. That included a focus on supporting small financial institutions across the country. And we have grown that focus this year with more support for Community Development Financial Institutions through our securitization vehicles. So really a lot of work has been going on in all three of those markets in multifamily [and] certainly in single-family as well, which Mike can tell you about.

Mike Dawson Sure. Thanks, Corey. Across all three markets, you know, we, again, from a consistency standpoint, we looked at our existing offerings and enhanced those, whether it be in manufactured housing and working with lenders in some of the rural areas. In the preservation front, we looked to sharpen some of our policies [to] provide more clarity across all three markets, activities in those markets to provide more clarity to our lender partners and other partners in these markets. We launched the Choice Home product for supporting manufactured housing—in this case, treating a certain style of manufactured housing to be treated the same as a site-built home.

We launched a Choice Renovation product to support the aging housing stock in rural areas and in areas across the country for renovation capabilities and other capabilities there. Then focusing on, certainly, community land trust activities and supporting and working with many partners in that space to clarify what we would purchase and to introduce new capabilities in that space. Certainly, launching our Green Choice mortgage was the first lean product focused on energy efficiency. And so, while we're very proud of not only the purchase results, the impact we're making across these markets, there's more work to do. As we look at 2020, some of the pieces that we've continued to dive deeper on–it is focused on how we make a deeper impact, and driving more potential liquidity and financing capability in all three of these markets in addition to other markets.

One of the other key areas is further educating and providing training to appraisers and others that are necessary to support our lender communities [and] to support others in these areas to ensure they understand our policies, processes and what have you, but primarily to drive a more consistent-- same thing, consistent approach to valuation. Because we know, and from what we've heard and what we see, one of the largest challenges across all three markets is to ensure that all of these components are valued consistently and appropriately so people can use our liquidity and other financing vehicles more successfully.

Corey Aber And a lot of the work that we've done over the past several years is a direct result of feedback and partnership with those on this call, those who showed up at the other listening sessions and other people who are in groups who are intimately involved in these markets, experts in these markets. And we look to continue doing that, continue those partnerships and continue to innovate to support these markets and build a better housing finance system.

Mike Dawson So, I know we've got maybe a minute or two left here. Some of the challenges-- these are well-recognized for those on this call and, and elsewhere that we face in many of these markets, and looking to solve for-- not only now, but in the longer term. It is one, as I mentioned before, is providing more consistency around appraisals, driving more familiarity with zoning commissions, with others in the market; familiarity, in this case, with the benefits of manufactured housing or factory-built housing overall. There's huge opportunity in that space. But again, taking [on] some of the legacy challenges in that market take time and education. Again, that's what we're focused on in that space. We can't kid ourselves, a lot of these markets are very, very challenging in the form of what can be offered, and housing is just one of the components that challenge many of these markets. Our focus [is] on building technical capacity where it's appropriate to allow our partners to maybe free up a few resources to focus on some of the other issues while we can focus on the housing issues and help them from that aspect too.

Corey Aber [I] just want to say thank you. Thank you to everyone on this call. Thanks to everybody who attended the last sessions and continue to provide input to us, not just today but going forward.

Mike Dawson We're looking forward to today's discussion. Thank you.

Jim Gray Thank you. Fannie Mae?

Mike Hernandez, Fannie Mae Thanks everybody for joining us today. Jim, thanks to you and your team for facilitating this conversation with all of us. Good afternoon, everybody. I'm Mike Hernandez. I'm Fannie Mae's Vice President for Housing Access. It's my pleasure today to share with you kind of a quick overview of our accomplishments for 2018-- some of our early leanings and some of the challenges we see ahead as we continue to implement our Duty to Serve activities.

Our purpose and mission at Fannie Mae is [to] ensure that there's liquidity in the single-family and mortgage markets everywhere across the country, but as importantly [to] ensure that there is sustainability in that mortgage financing. And so Duty to Serve activities complement that investment. It complements our housing goals and our core mission and our activities. It challenges us to go beyond our core investments in these current investments to markets such as manufactured housing and rural housing [and], of course, preservation of existing affordable housing.

Obviously, the first thing we did was assemble a great team of people, many of whom are on the phone today. And we've integrated everything that we do around Duty to Serve into the fabric of how we operate, our daily business at Fannie Mae. From the Board of Directors, our CEO down to the most junior analysts, everybody is focused on all our activities and how they can benefit our efforts in serving these underserved markets. We're making a difference where it's needed most through Duty to Serve, and we've been very proud of the work that we've done early on. I'll tell you, we weren't perfect in this first year. There were a lot of challenges, a lot of leanings that we had. We tested some things that didn't work and many that did, and there's of course room to improve and I'm sure we'll have some of that opportunity to get your feedback on areas that we can improve today.

How did we approach this in the first year? Well, the first thing we did was engage and listen. We met with hundreds of industry stakeholders to discuss, create and solve for new solutions. We facilitated meaningful engagements and learning sessions. We got your expert and practical external input from many of you who are on the phone today. Very importantly, we traveled out to the market to understand what was working, what wasn't. You can't solve these problems behind a computer in Washington, DC or wherever you're located. You've got to be out there in the market to understand what's going on. It was important for us to get out to tribal trust lands, rural markets, communities focused on housing preservation to understand how they're solving for these problems. We executed more than 30 research initiatives to inform our actions and we launched dozens of marketing and educational campaigns to help people understand the work that we were doing. Then when we examined all of our current activities, we leaned into the existing suite of products that we had and made changes that we could do immediately to start moving the needle on our activities for Duty to Serve.

Let me share with you a little bit about some of our early accomplishments in each of the areas. I'll start with manufactured housing. We grew our affordable manufactured housing real property business by over 26 percent to a total of 12,600 loans. We introduced MH Advantage, a whole new designation for manufactured homes with features similar to site-built homes and on MH financing. We conducted extensive research outreach to inform a potential pilot and we spent time studying the credit side, the servicing, getting critical data, evaluating consumer protections and other standards we would apply if we purchase these loans in the future.

We launched a loan purchase program that provides critical pricing incentives for manufactured housing communities that incorporate—and this is important—that incorporate tenant pad lease protections, and we also introduced a loan purchase pilot program tailored to the financing needs of resident-owned communities. A lot of great accomplishments in manufactured housing.

In the area of housing preservation, our team exceeded its goal for loans on Section 8 properties, which totaled 25,370 units in 142 loans. We did financing in support of HUD's Rental Assistance Demonstration program. We increased the amount of Low-income Housing Tax Credit debt financing, especially for those properties that have longer use restrictions remaining as another way to ensure that that housing is preserved for affordability for the long-term, resulting in 84 loans and over 11,000 units. We built on our established single-family shared equity mortgage programs by expanding our community land trust residential mortgage product and adding support for limited-equity co-ops, and we're starting to see certainly in 2019 that community land trusts are going to be an important strategy to preserve affordable housing in many markets with rising costs. We also increased our support for borrowers and nonprofits purchasing our distressed single-family assets and we enhanced our single-family renovation loan product to make it easier for families to be able to finance and include energy savings retrofits.

In the rural housing space, we fully executed MOUs with Native American tribes that would allow lenders to do conventional lending to home buyers on tribal trust lands and, as many of you know who've worked in this space, this is a complicated area. How do you entice conventional financing on trust lands while still respecting the sovereignty and the structure of Native American tribes? We exceeded our single-family high needs rural loan purchases by 9 percent resulting in over 11,000 loans. We partnered with two CDFIs serving high needs rural regions. And if you read the definition for high needs rural regions, it's a very challenging component of the market. Then, through our Low-income Housing Tax Credit equity investments, we closed 42 properties in rural areas for over $118 million. Thanks to the FHFA's approval allowing us to get back into that market, this will now become an important tool for us to ensure long-term affordability.

We did 13 tax credit investments in properties in high needs rural areas and four tax credit properties serving high needs rural populations, including agricultural workers, tribal members, [and] residents of counties in persistent poverty and in a Colonia. So what were some of our early leanings? Well, relationships, relationships matter. Being out in the market, identifying the partners that are most creative, looking for new ideas, having success, maybe not doing it conventionally the way we would typically think it's being done. Building those relationships with those partners: one, it takes some time; two, you've got to be in the market to truly understand what they're doing and then you've got to bring that information back to help all of us at Fannie Mae understand how to approach it. So relationships obviously are critical. Innovation, constantly challenging the status quo-- and not just out in the marketplace because there's some unique things being done, but a lot of communities still needed to understand how they might approach new investments and new strategies.

The other part of the innovation had to come from us internally. How do we look at things differently? How does our credit team evaluate the market differently? And we had a lot of leanings the first-year.

Action–do something now. Our focus was on how do we bring product to market? How do we make initial changes? You've got to do something now. Yes, it's good to study. We need the information, we need the data. But you've also got to stop doing some things that aren't working and start doing things that you think might work and hopefully tweak them in the future.

Simplification. It's got to be easy to understand, produce. We don't do things in silos by ourselves. We've got to work with lenders on the single-family and multifamily side. At the end of the day, there's also got to be enough value add so that we can attract more capital into these markets because that's really what the objective is all about—bringing more capital value add to that end investor.

And finally, long tracking. For most of us, all of us, data is key. How can we capture the information? We recognized areas where we needed to do more, where we didn't have enough data, where we needed to compile different data sets to better understand.

You know, I had a boss that once told me, you are what you measure. And that's a lot of how we needed to approach our initial plan, to understand how we could succeed.

On the challenges. A couple of things that [were] big takeaways for us. First, you know our values about bringing products to scale so that they can be replicated, costs can be reduced, [and] investors can be attracted. Not all pilots and tests are going to be scalable by themselves. We know that, but we can still learn from those tests.

The other big value add that Fannie Mae can bring is setting benchmarks and standards. Even if we don't scale something, what we learn will help us understand how best we can leverage the rest of the industry to move it forward. As our Duty to Serve Plans scale up, finding the right balance between the commitment of our internal and external resources to the initiatives so that we can have impact. That's a word I think you're going to hear a lot more from us. How are we having impact in these markets? What are the results and then how can we continue doing them? Then, I think I mentioned it before, driving to get things done: allocating the right resources, enhancing our communication, making sure folks understand the reason, the rationale for us moving forward is going to continue to be a core part of our plans.

Thank you all for your engagement this year. I know many of you on the phone work actively with all of us to help us move our plan forward. We're proud of our achievements. We're proud of the work we've done in 2019 and look forward to having another productive year, 2020, and our next three-year plan. Thank you.

Jim Gray Thank you Mike. This is Jim Gray again at FHFA. To just briefly talk about where we are in the cycle and what the Enterprises have accomplished at the beginning, let me start with that process point. The regulation currently in place requires the Enterprises to each propose a three-year plan. The first year of plan performance was 2018. Most of what you just heard was about the performance in 2018 plus a bit into 2019. We're about now to complete the second year of performance. Then after next year, 2020, that will be-- that will complete the first three-year plan cycle.

One of the reasons that we're holding these listening sessions now is that both Fannie Mae and Freddie Mac are gearing up for the second cycle, which will begin on January 1, 2021. One of the big projects in addition to performing next year in 2020, we'll be thinking about what the Enterprise is proposing to do in the second plan cycle.

That's why we're really interested in hearing what you all have to say about what you've seen thus far and what you might like to see different in the second cycle. As for the evaluation for the first year, you've heard from both companies. They certainly both have a lot of accomplishments for a brand-new program that they can be proud of after the first year of performance. FHFA ultimately determined that because it was the first year and we did not have as much information as we felt like we needed to issue more granular ratings, we determined that both companies’ performance for 2018 was satisfactory. You can read more from FHFA about our determination on 2018 performance if you look on the FHFA website for the 2018 Annual Housing Report, which was posted on October 30th. It has about a 10-page narrative in there that talks about FHFA's perspective on the performance of Fannie Mae and Freddie Mac in 2018. In addition to that, about two weeks ago we also posted the Enterprises' periodic reports to FHFA during 2018, which would allow you to go back and see from the Enterprises' perspectives how they were doing through the course of last year.

Pretty soon we're going to turn this over to our first panel, which will be affordable housing preservation and ask to hear from you all. But before I do that, one other housekeeping matter that I want to address is that for about the last half hour of this webinar, depending on how it runs with the speakers, there will be an opportunity for all of you who are participating in the webinar to pose questions to Fannie Mae and Freddie Mac and FHFA about Duty to Serve. We will give priority to people who submit questions through the chat box on the webinar in advance. We do ask that if you are planning to submit a question through the chat box that you please be sure that you're on the webinar at the end when we're responding to the question.

Three quick things to keep in mind in asking questions. We're really not entertaining questions about whether or not a specific activity will be included in the next plan. The purpose of these listening sessions is to hear what you all want to see in the plans. It's not for Fannie and Freddie at this early juncture to commit for their next plans. Then second, it's possible that you might ask a question that's more specific than the people from Fannie Mae or Freddie Mac on the phone are prepared to answer, in which case they'll get back to you. Finally, since they are competitors and they generally interact with people not in a setting with their competitor present, a special rule for this session is that you may also ask a question that's deemed to be-- that would require a proprietary answer. If you do that, then we'll also let you know that the Enterprises will get back to you with the answer at a different time.

All right, so please, you're all encouraged to submit questions during the webinar. Now we're going to start our first panel, which are the participants who are commenting on the approach to the affordable housing preservation market. Each participant will have up to 10 minutes. We had the same rule at the beginning for Fannie Mae and Freddie Mac. You will hear a sound at eight minutes and then you'll hear another sound at 10 minutes. Shortly after you hear the second sound, we will take the floor back. We ask you to please plan accordingly and be sure that you get everything you want to say within 10 minutes because we can't allow-- in fairness to everybody participating in the webinar, we have to hold each speaker to the 10-minute limit. All right, so with that, I'm going to turn it over to David Sanchez to announce the first panel.

David Sanchez, FHFA Yes, thanks everyone. Our first panel is on the affordable housing preservation market. If you're logged into the webinar or on your computer, you can see our scheduled list of speakers on your screen. First up we have Bruce Dorpalen from the National Housing Resource Center. Bruce, if you could identify your phone line by pressing pound two, then the moderator will unmute your mic and you can give your 10 minutes of remarks.

Bruce Dorpalen, National Housing Resource Center

I'm Bruce Dorpalen with the National Housing Resource Center. We support, as an organization, over 1,700 housing counseling programs across the country to provide housing services to housing consumers and to improve opportunities for affordable housing. The importance of HUD-approved housing counseling agencies is very high in terms of reaching underserved markets which is why we're very interested in the Duty to Serve. We look at the programs that are provided as by these organizations as a vital piece to being able to address how to reach underserved markets.

And just to, on a very high level, identify what that means is that in fiscal year 2018, 73 percent of the housing counseling activity that was done [was] with households making 80 percent or less of median income. In that same year, 72 percent of the housing counseling activity was with households of color. It's a rich source for access to underserved markets and deep knowledge of the communities they serve. And there's a real value in working with housing counseling agencies on loan performance.

The Urban Institute did an excellent series of studies with NeighborWorks on quality counseling that documented 16 percent in one study and 30 percent in another are less likely to become seriously delinquent for pre-purchase borrowers when compared to similar borrowers who did not receive counseling. And on the loss mitigation side, the Urban Institute did a whole series of studies with the Foreclosure Mitigation Counseling program and if you worked with a HUD-approved housing counseling agency, you're much more likely to get a modification. It was going to be deeper and more sustainable and 67 percent more likely to remain current after nine months.

I think the big question for us is did Fannie Mae and Freddie Mac tap into this valuable resource, support it in their work to reach underserved markets as part of their Duty to Serve programs?

There are a couple-- two high points I'd like to really kind of highlight. One of them is under affordable housing preservation. Freddie Mac worked closely with a shared equity network that's deeply integrated into the shared equity work, the Grounded Solutions Network. They are a HUD-approved housing counseling network and a leader in the shared equity work and they really used them as a vehicle and as a way of identifying appropriate partners and opportunities. This is a valuable investment in capacity building. Shared equity, as I think has been pointed out earlier and in reports by Freddie, is-- it's a valuable tool in preserving affordable housing. The challenge is that it needs to be developed, scaled up and have volume and this kind of investment in capacity building is a key step to doing that and, we think, really, is an example of where Duty to Serve is working excellently.

Similarly, in the high needs rural area Freddie worked with key organizations Fahe in Appalachia, HOPE in the Mississippi Delta, and the Community Development Corporation of Brownsville (CDCB) in the Colonias through Southern parts of Texas. These are high-quality organizations that are deeply embedded in the communities they work with. They're innovative, they're smart and having engaged with them, this is kind of an example of where we think these are the ideal things that we would like to encourage. Fannie has done some trainings with housing counselors, has supported the Framework education online program and has supported two large housing counseling networks.

I'm going to just pull a few things that I thought were highlights or things to really think about as opportunities and, what might be, expanded. For manufactured housing-- as we all know, this is a critical source of affordable housing in many parts of the country. Chattel loans are unnecessarily expensive and lack consumer protections, [it’s] not a competitive marketplace the way it needs to be. So launching new products, making those products work are very critical pieces to this. To have a long-term commitment to really develop this marketplace, we think it's really essential and will impact the affordability for low and modern income people’s sustainability of manufactured homes. Counseling should be a key component to this.

Just to distinguish, there's education and there's counseling. Education is a much more generalized-- pieces that inform the consumer. Counseling is the much more personally tailored analysis of the available income, the household income, expenses, income and total debt ratios, analysis of the credit report as well as the credit score, helping people figure out what their goals are, how to meet those goals, put together a house budget, make a plan that meets those goals. We think that counseling is the critical piece to this. Groups like Next Step has done a good job about really developing housing counseling specifically for manufactured housing. There's a number of programs out there in the country that are doing excellent work here. But it's really critical that counseling be built in as a component. One of the things that happens all too frequently is that families that would be eligible for a traditional mortgage end up with a chattel loan because of the way that they're marketed to in the communities that we're working in. This is a problem that can get solved, and certainly, if you create an affordable and more reliable chattel loan program that also becomes part of all this, these are critical pieces that will help that marketplace.

Freddie does have a chattel loan product. It does require education, but it doesn't require counseling. We'd like to encourage them to think seriously about that and sort of what Fannie Mae plans are, would likely again say that counseling should be a critical component to it. The one thing also that Freddie Mac does is it-- where they talk about providing housing education, the providers are not just HUD-approved housing counseling agencies, but they make an equivalency with mortgage insurers. We think that that's we would argue that it should just be HUD-approved housing counseling agencies who do not have a stake in this deal and provide a broader set of tools and opportunities for the people who are getting the education and/or counseling.

Counseling, as I think we've pointed out just earlier-- the personalized approach is critical to helping people move forward. We do think it's valuable about Fannie moving into the, working on resident-owned manufactured home communities, providing financing there is just a critical piece to sustainability. We would like to encourage that

FHFA should continue to support the GSEs' work to support remote counseling such as telephone counseling. This is a critical way of reaching rural populations and of getting to manufactured housing in non-urban non-concentrated locations. This is a place that has the skill set that's been, was really developed and improved over the years through the foreclosure crisis, but now it's moving into much more into the pre-purchase zone and is a useful piece of this, but critically needs support. Also, important to pay attention to the delivery of housing counseling services in serving rural areas in language and language other than English, especially Spanish, to meet the needs of agricultural workers and laborers and other communities like that.

I think we did a shout out to Next Step, which is a leader in manufactured housing servicing. They are the kind of organization that that's very helpful in providing counseling services in the manufactured world. One last note on the chattel pilot programs, they really would like to make sure that this becomes fully developed as loan programs with a lasting contribution to affordable housing and the Duty to Serve programming in communities of high need so that moving from pilot to actual full-scale programs-- this is really what's needed in the communities we're working in and hope that that's the goal that everybody shares. Otherwise, there'll continue to be limited competition in the space on a critical source of affordable housing. With that, I'd like to thank you for this. We will continue to watch and then-- and see what happens in the field. Thank you.

David Sanchez

Thank you Bruce. We really, we appreciate that very much. Just a slight modification of our earlier instructions: the timer actually beeps when you have a minute and a half left, not two minutes. But you were well within your time and we will move on to our next speaker which is Bill Packer from American Financial Resources. Bill, if you could identify your line by pressing pound two.

Bill Packer, American Financial Resources

Thank you. My name is Bill Packer and I'm representing American Financial Resources. We are an independent mortgage bank that has been in existence for 22 years. We have a long history in the mortgage market. I'd like to pause for a minute and thank Mr. Gray, the Federal Housing Finance Authority, as well as Fannie and Freddie for sponsoring these sessions. I think it's critically important for those institutions to obtain this feedback and I do appreciate the opportunity to speak with you today.

A couple of things about American Financial Resources, just so you get a better understanding of who we are. We tend to serve what we consider to be underserved markets. Our average FICO scores for our borrowers, and I'll use 2019 data, was 671 so clearly the borrower population that we are serving has challenges in their credit history. Our average LTVs, again for 2019, are 91%. The borrower that we typically serve is a middle America borrower who does not have the kind of income-generating capabilities to have a budget that allows them to amass substantial down payment and other kinds of resources. What you see with this borrower is that because they don't have this capability when, inevitably, negative things happen in their lives--the car breaks down, they have an illness, things of that nature—they don't have the resources to fall back on, to continue to stay current on all their obligations. Consequently, they tend to have lower FICO scores than what you might otherwise see.

Our production in 2019, I'm proud to say, was 43% manufactured home real property. We think that is a property type that lends itself to helping these kinds of underserved borrowers reach the opportunity to own their own home. We are also the largest sponsor 203K lender in the nation. Obviously, that is on the FHA side. We make substantial funds available through our broker and correspondent network to improve housing stock largely in inner-city areas. Lastly, I'd just like to point out that in the period ending in October of 2019 for those 10 months, according to the scorecards that we receive on a monthly basis from Fannie and Freddie, depending upon the month you're looking at, one third to half of our delivered production to Fannie and Freddie met Fannie or Freddie’s low-income goals. We think that we are assisting in our mission to help low and moderate-income borrowers in underserved communities meet their housing goals.

There are four areas that I think would be extraordinarily helpful to the single-family finance community in making funding available to these underserved borrowers. I will say that we have certainly seen from our vantage point Fannie and Freddie under their Duty to Serve initiative really make tremendous strides and we would applaud that and would like them to continue. But there are four areas that I would point out. One, inevitably, when you are dealing with borrowers who have savings that are not as robust savings as you otherwise might desire, they are going to have payment issues throughout the course of their loans. What this results in, and I understand it from a secondary marketing perspective, but what this results in, unfortunately, is disadvantaging those borrowers because the pricing that we receive from Fannie or Freddie requires us to charge these borrowers higher interest rates in order to make up for what is perceived to be higher risk.

Those higher interest rates translate into higher payments. So you're taking the very borrower that already has some payment challenges and you're making it even more difficult for them to make their monthly mortgage payment by forcing them to have higher interest rates than other borrowers who may not have the payment challenges that this borrower population has. Secondly, and I appreciated really what Bruce was talking about from NHRC, I would say there still seems to be some suspicion and reluctance and barriers put in place on the manufactured housing side. We certainly would like to see more fungibility between chattel delivery and manufactured home delivery, real property delivery. We would like to see and urge folks to consider that using chattel as a comp on an appraisal when that's appropriate, would also aid in making the valuation of new construction manufactured homes more pertinent to the transaction. We would like to-- have the agencies continue to push forward on their chattel and manufactured home initiatives.

On the renovation side, just to touch base on that for a moment--there is some reluctance in the industry to make renovation lending available to broad segments of these underserved populations because of what we would consider risk transfer. As I'm sure everyone on the phone is aware, when a borrower has a delinquency during the renovation period, that is an automatic put-back to the lender by Fannie and Freddie for that renovation loan. This makes lenders hesitant to enter into [the] renovation lending space.

Lastly, and my fourth point, on the single closed construction side, which we believe is a great product for a borrower segment that has --that needs certainty in their budget, we see lots of challenges in delivering that into Fannie or Freddie because of the age of doc criteria. This makes institutions such as ourselves less willing to make this credit available to these underserved borrowers. We would urge those single closed construction age of document requirements to be carefully reviewed. We'd love to partner with the agencies and talk to them about what we see as possible solutions there. With that, I think I'm under my 10 minutes. Again, I do appreciate the time and I will turn the floor back over to you all.

David Sanchez Thank you so much, Bill. We really appreciate it. Next up we have Jeff Perlman from Bright Power. Jeff, if you could identify your line by pressing pound two.

Jeff Perlman, Bright Power Fantastic. Thank you so much, everyone. This is Jeff Perlman. I'm the president and founder of Bright Power. Thank you so much to the FHFA for having all of us and having me here speak to you today. I don't think I'll use my full 10 minutes, but I will try and make my points concisely. First of all, about Bright Rower. We are a 15-year-old company that specializes in providing energy and water management services to real estate companies, primarily multifamily real estate companies across the country. We are also working very closely with Fannie Mae on their green lending program, which is what I want to focus my comments on today.

There have been some documents coming from FHFA in the last few months discussing how there isn't really, or they're not seeing a nexus between energy efficiency and water efficiency and affordability of housing. I just want to put it out there that I firmly disagree with that statement and that in fact energy efficiency, water efficiency and affordability are intrinsically linked. If you look at affordable-- what makes housing affordable and what the costs are to the folks who live in lower-income communities you see that lower-income residents are disproportionately impacted by energy costs and particularly high energy costs. Energy costs have two components to them. They have the price of energy, which obviously varies depending on what part of the country you're in. There are certain programs to help lower-income folks reduce the cost of the energy. And then there's how much they use. The usage of energy is where my company focuses and where many of the green lending programs that have been created focus.

By reducing usage, we reduce costs. By reducing costs, we increase affordability. Those things are intrinsically linked. That’s true whether or not those cost savings accrue directly to the residents, to a residential renter, or whether those savings accrue to a property owner. Because if the savings accrue directly to a residential renter, then obviously the savings are going directly to their monthly bills. If the savings are to a central system for which the owner of the housing is paying the utility bill, then it reduces their costs and therefore enables them to keep the rents at a favorable rate for the lower-income residents of those buildings. In both cases, we're reducing the cost of rentership for the folks who are living in housing that has gotten these energy efficiency improvements.

When I talk about energy efficiency and water efficiency, I want to be clear. We're not talking about making people have uncomfortable living situations. In fact, often we're talking about improving the comfort of their living situation by having temperatures that are controlled to a clear band and-- adding controls to buildings by having water temperatures, hot water that's within a reasonable range, not too hot and not too cold. Having ventilation systems that are working and functioning and providing the appropriate amounts of fresh air into buildings so that you create healthier indoor environments that also consume less energy and less water. We're not talking about reducing the quality of life. In fact, we're talking about improving it.

I want to, you know, both applaud FHFA for having the foresight to actually encourage Fannie Mae and Freddie Mac to create green lending programs and encourage them-- so there's two programs that I'm sure many of you are familiar with, both Fannie and Freddie have them, and they were programs that still exist today that reduce the interest rates that folks pay if they agree to a certain scope of energy and water improvements for multifamily housing, and also increase the amount of proceeds they can borrow because now the cost of running the properties will be lower. Those programs have created the largest multifamily energy retrofit initiative in the country with thousands and thousands of properties at this point that has been retrofitted under those programs. They've been incredibly successful. The requirements to participate for a building owner are getting increasingly stringent over the years. The amount of energy and water savings that these buildings are generating is also increasing as those requirements have gotten stronger.

I want to applaud FHFA for having the foresight to work with Fannie Mae and Freddie Mac on that and also to encourage FHFA to continue working with Fannie Mae and Freddie Mac on these programs. I also want wanted to say that, you know, not all energy and water efficiency projects are treated equal and they should be treated equal and that actually there are opportunities for giving different levels of either pricing breaks or additional proceeds depending on the nature of the energy and water efficiency improvement. There's sort of lighter levels of green and there's deeper levels of green and one of the ways in which we can all work together in the face of the largest crisis that's facing us, which is a climate crisis, is by figuring out how to encourage both those who wouldn't do anything to do something which I think that the green programs have been very effective at doing–we need to make some energy and water efficiency improvement—and then to encourage those who are interested in going deeper and really being transformative to do that, which should mean deeper levels of pricing breaks and additional proceeds to encourage folks to make deeper investments to get to 40, 50, 60, even 80% reduction in greenhouse gas emissions and energy and water usage in their property.

Those are really the the main points I wanted to make. One, that energy efficiency and affordability are intrinsically linked. That the energy and water savings, whether the savings accrue directly to the residential renters or whether they accrue to the owners, still should count because in either case, ultimately it makes housing more affordable. And that the green lending programs have been a great success thus far and we should continue to promote them. And that there are opportunities to structure the green lending programs and broaden them actually, for both multifamily as well as single-family. But also, to encourage deeper levels of energy and water savings in multifamily and single-family housing. Because actually, again, when we talk about affordability and future affordability, having a very low energy and/or water bill is one of the ways in which we can ensure that the housing will be affordable well into the future even as energy and, water costs increase. With that, I think I am done with my time. Thank you.

David Sanchez Great. Thank you so much Jeff. Next on the line, we have Andrew Smith from Broad Solutions. Andrew, if you could identify yourself by pressing pound two.

Andrew Smith, Broad Solutions Okay, thanks. A little bit about Broad Solutions and particularly want to address a couple of the issues arising from two of our main investments. Broad Solutions itself is an investment holding company focusing on affordable and entry-level housing here in the United States. It has a major controlling interest in Town Mortgage which is a mortgage company set up in 1985 that really is focusing on affordable entry-level housing. Its average loan size is $175,000. Very similar to Bill Packer from American Financial Resources we are very much in the hinterlands and suburban areas, not so much in the downtown Metro areas throughout 44 states. As a servicer we are holding all three of the agency tickets. One of the issues that we've come across obviously is that with the cost to service on the one hand and the low loan size on the other, you have a real tension.

Obviously, there's a flat rate on the servicing side from Fannie and Freddie. With the FHA that's a question of the strip, but put that to the side-- the rising cost to service against the cost for the loan has made that margin extremely tight. Automation, of which we're a big proponent of, has offset that. But I do think that there could be some work on trying to help servicers who are servicing that specific segment of the market in terms of low loan balances, which themselves have lower prepayment speeds and should therefore perhaps be taken into account by the GSEs for that. In point of fact, we did a major study of all collateral that was issued by the GSEs or underwritten by the GSEs in 2006, and compared the delinquency default rates specifically for small balance versus larger balance, and the small balance loans had a much lower default rate as well as the fact that we also think—and this will be my last point regarding the single-family housing side—is that the FICO scoring, especially for people in the kind of 650 to 680 range, really is against those people. Even though there—our experience, historical experience has been that these people have paid their mortgages on a fairly consistent basis, they do have the perennial hiccups vis à vis delinquency vis à vis coming into the Christmas period or the summer holiday period, but they tend to get back on track. Yet if you look at how the market, the secondary market penalizes them in terms of loan price adjusters as well as the fact that there is very expensive private insurance available—obviously FHA has their own insurance program, but it's a very expensive product for those people where actually we believe that that band between 650 to 680 actually is a mispriced risk cohort currently and we would like the GSEs to perhaps re-look at how they've stretched their FICO bands specifically for low balance 650 to 680 payers.

I'd like to switch to our second major investment that perhaps we should have, which is an alpha funding, which is a fix and flip or renovator, both for single-family non-owner occupied as well as multifamily units. You know, housing stock in America is at one of its oldest periods on record. The median age is 39 years. Over two-thirds of low-cost homes in the outstanding inventory were built before 1980. In aggregate there's about a 5-million-unit shortage. You can't build out of that. You may need to renovate the existing housing stock. I feel like in this particular space we need to be able to get better distribution of capital, both private and from the GSEs, into the space to accelerate the speed of renovation that's taking place, not only in a kind of renovate and flip, but more importantly in the kind of buy and hold space or rental space. Because as we know, millennials in many cases because of their student debt, etcetera, are kind of forced to rent more than they have the ability to put a down payment for a home. We are doing about $200 million a year, of which about 30, 40% is in the multifamily space and specifically in the buy and hold. We think that's a really underserved space in terms of five to 30 units where, you know, the big private equity and the big banks will do the 100, 200 units, but that smaller unit size which traditionally had been served by the S&Ls and by community banks is really an underserved market and we'd like to see whether or not on the multifamily side, and especially on the rental side, we could see more opportunity coming in from Fannie and Freddie on that because we think the average unit size that we're doing is $200,000. It's once again that entry level for people who make somewhere between $50,000 to $125,000, which is an underserved space which we'd like to see a bit more development on. Those are my two main points. Thank you.

David Sanchez

Great. Thank you so much, Andrew. Next up, we have Emily Thaden from the Grounded Solutions Network. Emily, you could identify your line by pressing pound two. The moderator will commence to your remarks and I will-- I know we have slides from you, so I'm bringing them up as we speak.

Emily Thaden, Grounded Solutions

I know many of you, but I'm the Director of National Policy and Sector Strategy for Grounded Solutions Network. We are a national nonprofit membership organization that supports nonprofits and local governments that are providing permanently affordable housing all across the country. We predominately support shared equity

Network homeownership programs that are being offered by community land trust and inclusionary housing programs. We also support limited equity housing cooperatives and other shared equity models. We currently have members in 44 states across the country.

I want to first just acknowledge some of the highlights reported by the Enterprises on their shared equity efforts. I think it's so important that we actually take a moment to really recognize some of the great work that has been done and the efficacy of the Duty to Serve program to date.

Just to highlight some of those, it's been tremendously beneficial to the field that Freddie Mac has tried to produce a CLT product offering and actually been very responsive to what has been requested by practitioners in terms of requiring notifications for default and then having options to buy back the homes in foreclosure to ensure that they can keep homes permanently affordable. Recently Freddie Mac also rolled-- is rolling out changes…to their deed restricted product offering that will be in effect in March of 2020 and they've been partnering with HomeKeeper, which is our workflow management system to support these programs all across the country in order to make the mortgage process easier and to really incentivize that the field is standardized and adopting best practices.

For Fannie you know, I think it's tremendously helpful that they've focused in on limited-equity housing cooperatives in manufactured housing that are using shared equity models, and trying to increase liquidity in that space. They've done a great job growing lender participation. Obviously, there's still more to do. Especially really helping to assess the scope of the field, which has been so vital for understanding the metrics of Duty to Serve. You know, they worked with us and invested in our national research on inclusionary housing programs. We really want to recognize how much work it's taken to lay this foundation. We also really need to recognize just how much more work needs to be done in order for shared equity homeownership to really become a part of the mainstream housing finance system.

With that, my first big request is that both Enterprises do include shared equity activities in their next underserved market plans. We know you have a choice and we get—we know the work isn't done. We also really hope that you will include meaningful loan purchase goals. We know that this is an incredibly challenging space to get loan volume up and we want to work with you on doing that.

In light of the fact that shared equity home ownership has proven so challenging in terms of being an underserved market, we ask FHFA to consider providing extra credit for shared equity, especially when it comes to loan purchase goals.

I now just want to highlight some of our requests specifically for FHFA. To step way back, I want to emphasize the importance of the process and the implementation of Duty to Serve. We just want to really ensure that you all continue or improve upon having really thorough and transparent planning processes as you're doing today on this call that's involving all of us as stakeholders. Also really ensuring that there's meaningful evaluation and very detailed public reporting and really making sure that we're rewarding the Enterprises for undertaking those harder activities.

Next, anything you all can do to raise the profile of the Duty to Serve program and especially when the Enterprises are really meaningful work. We believe that this is going to ensure that both Fannie Mae and Freddie Mac dedicate the resources and the staff that are needed to get this work done.

Now if we move in the opposite direction of the big looks up and really look down into the weeds, we really are hoping that you all can help clarify the shared equity homeownership definition. In a part of the regulation where the shared equity definition is set forth, I do believe that there are some areas where both of the Enterprises would benefit if you all were to help clearly set operationalizations of what is acceptable and compliant for Duty to Serve credit under those definitions.

A simple example is, you know, the regulation says that the programs need to review and approve refinances or home equity lines of credit. Well, the question is-- if a program is, for instance, subordinating, is that explicit enough to account for approving of that refinance? Or if it's in a policy rather than a legal document, is that sufficient? I do think that there's just some areas like that where those clarification could be very helpful. I think we are seeking the broadest amount of flexibility with the regulatory definition as possible. We, as members of the field who are really trying to protect who was included in this definition, we have not had any concern over having more ample flexibilities lift how that is operationalized. Related to this, one of the unanticipated consequences has been that evaluating Duty to Serve eligibility has actually increased lender burden. We are hopeful that you all will take a step back and work with us and hopefully the Enterprises to consider whether actually doing underwriting every two to three years on shared equity programs, for aspects of the Duty to Serve eligibility requirements, could be sufficient and done so that it's removing the burden from the lender on a transaction by transaction basis, by taking some of that into a program's eligibility framework that could be consistent across both Enterprises and help improve that.

Okay…moving on to our asks of Fannie Mae and Freddie Mac. I'm going to say it one more time. Please include shared equity homeownership activities in your next UMPs. Please include meaningful loan purchase goals. Despite this being hard, this is one of those moments where we're hoping that you will take on those harder goal and even if those are challenging to meet that you will get ample credit for it because we really, really need to be ensuring that this is turning into loan volume. We also hope similarly to the request we made of FHFA that you all will really work to be removing that lender burden when it comes to the program underwriting requirements, and think through whether there is something that can be done with your regulator on getting these programs evaluated for Duty to Serve eligibility and if that is in fact allowed, ensuring that this is not something, hopefully where the Enterprises are each both going off and doing this evaluation of programs separately and creating added burden to program administrators, but perhaps doing something where there's a third-party evaluation or assessment of programs that can then be counted for both of you.

Next on our list is we are very interested in the creation of a model deed restriction that we believe will benefit the field for best practices, but also enable standardization and removing lender burden from evaluating programs both in terms of underwriting for the loans and Duty to Serve eligibility. We hope that you all will work with us to create a model deed restriction similar to the model ground lease. That has been perhaps the number one most important thing to standardizing and growing the community land trust movement, is to get everyone on the same page through our model legal documents. Until the model deed restriction is created, we also know that it is going to be far harder to have that be adopted. Inherently, these are inclusionary housing programs run by cities with city attorneys and so we need to actually find real incentive for them to actually take on changing their legal documents. I think that those incentives can be done either through benefits through both of your product offerings, but also some additional and more creative incentives that we would love to work with you on.

This is an obvious one, but I know that it is such an intensive amount of work for you all. We need to be recruiting more lending institutions to partner with shared equity program and that is really specific and needed outreach. We also-- we are hearing from practitioners that they are really having challenges with inconsistent appraisals on resale-restricted properties. Anything that you all can do to support appraisal education or far clearer instructions to consistently have appraisals coming back on shared equity properties is very helpful. This has posed massive challenges in terms of, you know, I have members who have done townhome projects and the differences in appraisals completely change what kind of subsidies and financing they need to be bringing to close the deals. It's setting up really big consistencies and inequities across the low-income home buyers of those units, simply because appraisers don't know how to do this in a consistent fashion.

We also want to recommend continuing to assess the scope of the field. We really do still need to get a better grasp on how many shared equity homes are out there. In particular, on land in trust at this point as well as on deed restrictions although Fannie Mae's current work with us on the inclusionary housing scan has been tremendously helpful. And then lastly --

David Sanchez Emily, I know it's your last point, but you are at time. If you could finish up real quick--

Emily Okay. Once there is adequate loan volume, we just really want to emphasize to please

Thaden evaluate loan performance and share as much of that information as possible because we do believe that the performance of our model is quite impressive and it would warrant easing some underwriting requirements. Thank you.

David Sanchez Thank you so much Emily. Next up we have Carrie Hamaker from the Alabama Housing Finance Authority. Carrie, if you could identify your line by pressing pound two and we have slides which we'll bring up in just a second.

Carrie Hamaker, AHFA Thank you. I hope everyone can hear me.

David Sanchez We can.

Carrie Hamaker At Alabama Housing Finance Authority, as a state HFA and as a master seller-servicer for several other state HFAs, we are pleased to be Freddie Mac and Fannie Mae's partner to protect and advance making the housing finance system more affordable and accessible. The US is clearly on a path for growth in family households, which should drive home ownership. Data and demographics show us that the dream of homeownership is alive and well, but there are challenges that create barriers to affordability for low to moderate-income Americans. On this slide here, you can see actual 2019 new homeowners as a result of our Fannie and Freddie product, if you could go back one slide.

Traditionally the nation's state housing finance agencies have offered tax-exempt mortgage revenue bonds as their principal vehicle for serving low to moderate-income families: homebuyer incomes less than or equal to 115% AMI and up to 140% AMI in areas experiencing chronic economic distress or sustained high housing costs, aligning with federal requirements and also aligns with the FHFA definition of low to moderate-income. Prior to HFA Advantage and HFA Preferred programs of Freddie Mac and Fannie Mae, the primary and in many cases only option for low to moderate-income home buyers was an FHA insured loan. FHA loans are often more expensive for home buyers and in a down cycle can represent elevated risk to the taxpayer.

Recent changes made to the HFA Advantage and HFA Preferred programs that limit income eligibility to 80% of area median income will substantially reduce HFA utilization of these important programs. According to the 2018 fiscal year data for our homeownership program here in Alabama, the average annual income of our borrowers was $59,927, which is still below the state's 100% area median income of $65,900. Using the new Freddie Mac and Fannie Mae income eligibility limits, this income would exceed eligibility for benefits of reduced pricing in charter level mortgage insurance. That means that those home buyers would automatically, anybody who exceeded that would have to go into an FHA loan.

To ensure that GSE HFA programs remain viable, a viable, affordable offering we propose the following changes: pricing benefits of the GSE HFA programs be expanded to borrowers with income levels less than or equal to 115% AMI and up to 140% AMI in areas experiencing chronic economic distress, or sustained High housing costs, aligning with the federal tax-exempt mortgage revenue bond requirements, and to provide charter level, minimum private mortgage insurance for loans to borrowers with income levels less than or equal to 115% AMI and up to 140% AMI in areas experiencing chronic economic distress or sustained high housing costs, aligning with the federal tax-exempt mortgage revenue bond requirements. Simply put, making the HFA Advantage and HFA Preferred programs align with the HFA mortgage revenue bond programs-- those income limits. Having them out of line is causing an excessive burden on the state HFA programs to try to now implement risk-based pricing models, which we historically have never had to do and is very tricky in a mortgage revenue bond issue. Then also making homeownership less affordable. If you look here at the slide, we were able to go in and lend in 48 counties in the state of Alabama with our current program, many of them very rural, very underserved. That's with our income limits again of 114 or 115 to 140% of AMI. Limiting that down to 80% really affects those areas that are having affordable housing issues to begin with.

In Alabama, just as in the rest of the country, we are seeing areas with expanded prosperity and growth, synonymous with low unemployment and increasing workforce demand. As the workforce grows, the demand for housing also increases. Many communities are facing new challenges as the relatively shrinking supply of homes drives up home prices outpacing income growth. Initiatives that support the construction or rehabilitation of housing in communities with workforce housing needs in the multifamily as well as single-family development side are needed. There needs to be some sort of way to look at incentivizing or growing the ability for builders and developers to enter into areas that have a documented workforce housing need to incentivize them to be able to build and possibly subsidize their ability to do so. Not only in multifamily but also in single-family development. That can be, that would actually need to be a combination of federal and local resources to make that happen.

Our rural communities struggle to meet the housing needs of its residents. The lack of access to mortgage credit limit the options for affordable rural housing. In communities that have a community bank or credit union, low-Income rural families still struggled to find affordable mortgage loans. Typically, small size financial institutions are unable to support secondary market mortgage operations and offer only portfolio mortgage loans that necessarily entail disadvantages such as larger down payments, shorter-term or adjustable interest rate programs, and an absence of traditional mortgage services like escrow accounts for the payment of property taxes and homeowners insurance. Further engagement and support of small financial institutions that sell through an aggregator could provide access to mortgage secondary market for rural communities. While we applaud the initiatives that were put forth by both Fannie Mae and Freddie Mac in the past to try to reach small size lending institutions, the requirement to make them have to be eligible to be direct seller servicers, I think was an unrealistic requirement. Many of them don't have the internal operations to be able to do that. Being able to look at how can Fannie and Freddie perhaps still get the Duty to Serve credit that they would need to meet those goals while those institutions are delivering their products through larger aggregators, through wholesale or correspondent relationships, I think is something to be looked at.

Broadening access and maintaining affordability requires products that meet homebuyer needs, home buyer education to ensure they are aware of the options available to them, sufficient housing supply and responsible legislative and regulatory policy. We are optimistic that the GSEs and state HFAs can continue to work together to mitigate adverse impacts in the housing market with transparent and targeted product enhancements, homebuyer education and lender partner outreach. That's the end of what I have to say.

David Sanchez Great. Well thank you so much Carrie. That concludes the panel of speakers on the affordable housing preservation market. In just a minute we're going to be moving to our manufactured housing panel speakers, but there are two housekeeping items to bring up. The first is just a reminder that via the chat box, you can submit questions at any time to the panelists and we will answer those questions first during our Q and A portion of the listening session, which is going to take place after all of the speakers speak. We've got one question so far from my friend Tony, but just everyone's invited to submit questions. The second item is Candace, our moderator is going to display a poll for us for about, and it's going to be open for about one minute. Then we'll announce the results of the poll and, get started on a manufactured housing panel.

Those of you who are logged into the webinar on your computer, you should see the polling question on the right side of your screen.

For anyone who just joined the webinar right now, we're in a one-minute period for all participants to answer a poll question and as soon as that minute is up, we will resume with the manufactured housing panel.

Great. Candace could you just let us know when the minutes is up and close the poll and announce the results?

Candace The minute is up. We have closed the poll and they should be displaying now. We have eight responses for yes, I have provided feedback to both Fannie Mae and Freddie Mac. Three responding I have provided feedback to Fannie Mae but not Freddie Mac and five no, I have not given feedback to either Enterprise.

David Sanchez Great. Well thank you very much. Thanks to everyone for answering our poll. We'll have the second one between our-- after this panel and before our final panel. We will now turn to our next speaker, LA Tony Kovach of MH Pro News and LifeStyle Factory Homes. Tony, if you could identify your line by pressing pound two and I know we have slides for you. They will be displayed on the screen when you're ready to speak.

Tony Kovach, MHProNews The speakers addressed the Washington DC Federal Housing Finance Agency Duty to Serve listening sessions on December 2nd, 2019. DTS mandates that the government sponsored Enterprises of Fannie Mae and Freddie Mac support affordable housing. Those speakers could be broken into three broad groups: those praising FHFA and the GSEs for a transparent process and progress being made; those that were polite towards FHFA and Fannie and Freddie, but clearly stated that more needed to be done to make DTS a reality; those that were blown or caustic that asserted the DTS wasn't working. Instead, the law had been perverted to benefit the more well-to-do instead of those of lesser means. I know this because I was among those invited to present. I listened to some 40 people sound off plus FHFA and the GSE officials. For example, there were black nonprofit and business leaders. They pointed out the wide disparity of lending reaching minorities versus whites and mortgages purchased for the secondary market by Fannie and Freddie. Data shown was provided by Maurice Jourdain-Earl of Compliance Tech based on HMDA data. NAHREB said the homeownership rate for black households ended 2016 at 41.7%. They made the point that discrimination is being tolerated by FHFA.

Several manufactured home community residents from different states said commercial real estate loans made under DTS to community operators who purchased or refinanced manufactured home communities at low rates because of a lack of resident safeguards. They named community park owners like HavenPark Capital and RV Horizons/Impact Communities, both of which are Manufactured Housing Institute members that aggressively raised site fees or lot rent. Economic evictions had or will occur, residents said. DTS has been perverted and turned on its head. A program designed to provide more affordable housing for lower-income Americans was instead fueling less affordable housing by making loans to wealthy consolidators and others.

David Dworkin spent 11 years at Fannie Mae, nearly 10 years at the US Treasury and almost two years as the president and CEO of the National Housing Conference. Dworkin’s recent comment letter to FHFA said manufactured housing is critical to ensuring access to affordable housing for both rural and underserved urban communities. Challenges in achieving what would arguably be modest goals should prompt redoubled efforts rather than changes in goal targets. We have full confidence in both Enterprises’ ability to reach existing benchmarks. Dworkin knows the system from the inside, but there's more. The duty to serve rural, underserved and manufactured housing markets was enacted as part of the Housing and Economic Recovery Act of 2008. The law was passed by a widely bipartisan margin. The FHFA website says the Duty to Serve requires Fannie Mae and Freddie Mac to facilitate a secondary market for mortgages on housing for very low, low and moderate-income families in manufactured housing, affordable housing preservation, and rural housing.

Over a decade later, there's little to no discernible support for the vast majority of HUD-code manufactured homeowners, those seeking affordable housing, retailers and others selling manufactured home exists. Data supplied by the GSEs proved that point. As a trade journalist who publishes the runaway largest and most read professional media in our industry that includes the companion public site, and as someone who is a multiple award winner in history and manufactured housing, those opening facts beg several questions. But let's pivot to some statements instead. One, no person or organization is supposed to be above the law. Two, we've spoken with lenders that entered the manufactured housing market after DTS passed. They're successfully making sustainable loans. Three, we've spoken with lenders who made manufactured home loans including personal property or chattel loans sustainably for a decade or more. Four given that federal law and others have made such loans successfully, why has FHFA tolerated obvious foot-dragging by Fannie and Freddie to fully enforce and comply with federal law?

Years of research and reports can be boiled down to this claim. Good laws are on the books that support manufactured housing on paper but are going under enforced, are ignored and or perverted. DTS is among them. A decade after HERA and DTS passed, where is that secondary market for financing manufactured homes? Interested parties should read the various letters submitted to FHFA, about the current plans and proposed modifications requested by the Enterprises. The MHI letter by EVP and CEO elect Leslie Gooch makes some interesting and accurate statements, but pivots to items that are arguably faltering. Instead of Gooch making a case for robust support for all HUD-code manufactured homes, which is what one might reasonably expect of the trade association claiming to represent all segments of manufactured housing, instead, MHI promoted their so-called new class of homes recently dubbed CrossMod homes. Why didn't MHI pursue robust lending for all manufactured homes instead of only for select CrossMod homes backed by Clayton homes, Skyline Champion, Cavco industries, and some MHI member producers? How did Fannie and Freddie magically establish a special program with specs for those so-called CrossMod homes reportedly developed in closed-door meetings with MHI?

Why haven't the minutes for secretive meetings between the GSEs and MHI been released? MHI member producers told MH Pro News that there's long been lending on modular housing on par with conventional housing. It was illogical and insulting said those MHI sources to create a so-called new class of manufactured housing when those same factories already built modular coded units. We have no problem with what builders want to produce that comply with regulations, but we do have a problem with special lending extended to favorite MHI firms by the GSEs with the FHFA’s consent. HUD-code builders have always had the ability to build manufactured homes to minimum federal construction, energy and safety standards that provide durable, safe housing with consumer protections. Those entry level homes are affordable for people with lower incomes. Builders can also offer more residential-style homes with features at a higher cost. There was, therefore, no logical reason to create a new class, blurring the lines between modular and HUD code, including via the name of the product, CrossMod homes.

I personally spoken with people at the GSEs who perform contract work for the Enterprises. Some said that Freddie Mac Choice and the MH Advantage by Fannie Mae plans are not how such lending programs are traditionally developed. Of course not. Do the GSEs tell site builders how to build their housing units? Richard Genz did research for the Fannie Mae Foundation published some two decades ago. He made the case that manufactured homes are unfairly stigmatized. An Obama administration era HUD PD&R documented in 2011 that manufactured homes appreciating side by side with conventional housing. Why implement a scheme splitting higher-costs new class HUD-code homes MHI and the GSEs are pushing? Doesn't that de facto stigmatize the millions of existing manufactured homes? This ploy purportedly fuels stigma, arguably benefiting lenders like 21st Mortgage or Vanderbilt Mortgage and Finance owned by Berkshire Hathaway that along with Clayton Homes has been credibly accused of predatory and racist behavior.

Next, MHI and the GSEs vaguely admit that the CrossMod homes are off to a poor start. Only some 10 home loans were made in 2018 and 2019 per a statement at the St. Louis FHFA listening session. New HUD code production is also down year over year. Coincidence? Given that FHFA as well as the NAR reported in 2018 that manufactured homes appreciate, the lack of logic for plans developed by MHI, Fannie and Freddie behind closed doors is stunning. The Urban Institute said in 2018 that a lack of lending likely was keeping manufactured homes from appreciating even more than they already do. Rephrased: the status quo unduly punishes millions who are currently own a manufactured home. They could enjoy higher equity and resale values if DTS were fully enforced. It is also punishing renters who could pay less monthly to own a manufactured home per the NAR. That's billions of collectively lost wealth for current and potential manufactured home owners.

When people of all backgrounds realize that there are voters among those 22 million Americans in manufactured homes and 111 million US renters. We've published an online version of this comments letter on the Manufacturing Home Living News website. It includes illustrations, videos, links to comments, documents plus historic information. We believe evidence and reasoning suggests that there's more and FHFA actively or tacitly allowed the law to be twisted in a manner benefiting a few to a high cost to the many. That implies incompetence, collusion, conflicts of interest and or corruption. Therefore, the FHFA has no legal or logical choice, but to reject currently promoted plans and call upon Fannie and Freddie to immediately follow the DTS law no matter whose deep pockets that may upset. It is appropriate oversight at FHFA and Congress should independently investigate how a decade after DTS became law that it is still thwarted from providing affordable lending to potentially millions during an affordable housing crisis. The status quo is the scandalous disgrace.

David Sanchez Tony you are at time. I know you have one more point.

Tony Kovach Okay, so there's, there's nothing wrong with America that cannot be cured with what is right in America. So said former president William J. Bill Clinton, who signed the widely bipartisan Manufactured Housing Improvement Act of 2000 into the law. Affordable housing isn't a partisan issue. It is a right and wrong issue. People of goodwill must do all that is necessary to expose the treachery that's arguably harming tens of millions of Americans, small independent businesses and taxpayers while enriching a few consolidators, thanks to their cronies in government. Thank you.

David Sanchez Thank you, Tony. Next up, we have Robert Van Cleef from eQuoria. Robert, if you could identify yourself by pressing pound two on your line.

Robert Van Cleef, eQuoria Okay. I'm not a financial professor, professional or a lawyer. I'm not an employee of any manufactured home sales or services company. I'm a resident of a 55 plus manufactured home community. Hopefully, you understand what that means. I'm one of your customers. I moved into this manufactured home community in December of last year. Before the first month was out, my wife and I believe we had hit the jackpot by purchasing our 39-year-old manufactured home in this beautiful land lease park with a fantastic community. Unfortunately, I was also soon exposed to the dark side of living in a land lease park, which led to my becoming president of the mobile country clubs homeowner's association. My life is now focused on identifying the reasons that we have serious health and welfare issues in my new community. I want to know why my newfound friends are suffering and what I can do to help them.

Since then, I've discovered that the reasons are complex and there are many things that will need to be done to help our residents survive and flourish. The biggest issues is my people are facing are related to finances. Surviving the constant parasitic rent increases is critical. There's also the fact that we get zero respect when it comes time to deal with financial organizations. For example, I needed a $20,000 loan to replace a roof on my home, which I fully own. In spite of my high credit ratings, the only reason I was successful in getting a personal loan was that the manager of my local bank branch fought for me and it took him a couple of weeks to convince the people at corporate that I was okay. All the years that I lived in my 90-year-old site-built home which has some serious issues physically, financing was never an issue.

This helped me open my eyes to one of the major problems people living in manufactured homes face: your failure to perform. The Duty to Serve program from the FHFA website says the Duty to Serve, DTS, requires Fannie Mae and Freddie Mac, the Enterprises to facilitate a secondary market for mortgages and housing for very low, low and moderate-income families in manufactured homes, affordable housing preservation and rural housing. From Fannie Mae's fancy document on their website, in December 2016 the Federal Housing Finance Agency initiated the duty to serve underserved markets rule as required by the Housing and Economic Recovery Act, which guides our activities at Fannie Mae every day. I'm sorry, I don't see any sign that Fannie Mae has done anything in compliance with those guidelines. I know large organizations tend to be slow in responding, but it's been over a decade for you to do what the law requires.

As a young man I spent 12 years in the US Navy, including four tours in Vietnam. We followed the law and served our country honorably. Isn't it about time for you to do the same? And I'm not the only one calling for change. Both the Manufactured Housing Association for Regulatory Reform and the Manufacturing Home Living News site have multiple articles related to your failure to perform. I've seen strange notices about supporting a new class of homes while you're ignoring the rest of us. Whose great idea is that? Based on my personal knowledge of government regulations being interpreted for the benefits of the manufactured community owners and to the detriment of the manufactured community residents, I suggest you find someone to look carefully at the money trail attached to the CrossMod proposal.

This reminds me of the descriptions of the performance of the GSEs in Aaron Glantz's book, Homewreckers. The large corporations prosper while the homeowners get forced out of their homes. We don't need financial support as some new, nonstandard form of manufactured homes. It means support for the manufactured homes that millions of real people live in today. Jim Sheahan, when he was president of the National Association of Manufactured Homeowners noted that there was plenty of competition and new land lease manufactured home communities were coming online, that the law of supply and demand kept the site fees affordable. Unfortunately, there have been no new communities in California in the past 30 years and only 10 in the US since 2000. I think there's been more than that, but this was the number I pulled off of a site somewhere. There was plenty of demand, but there's no supply. How about you working to support, during this time when the national focus is on affordable housing crisis, the removal of all obstacles to building new manufactured home communities?

That specifically includes removing the financial obstacles that would be addressed by fully enforcing the Duty to Serve laws for very low, low, and moderate-income families. Also, tell the GSEs that all HUD-code manufactured home should be treated equally. There are millions of people living in land lease communities that need your help. Forget what the representatives of the large corporate lobbies are telling you. They have plenty of ways to get our money and our homeowners do not. It's time for you to ignore the very rich, rich and moderate-income corporations and instead follow the Congressional directive to look at the needs of the MHC residents. Remember, your focus must be on very low, low and moderate-income families in manufactured housing, affordable housing preservation, and rural housing.

And just a quick note on the state of our communities, last year a survey was taken after a seven percent increase in a monthly site rental of the senior park I now live in. It found that only 11% of the people living in a community fit the HUD definition for not burdened. 38% met the definition for moderately burdened and 41 qualified for the severely burdened category. This year we were hit with a six percent rent increase making the score for rent increases eighteen percent in just two years. Those are the people who are the faces behind the Duty to Serve laws. I believe it is your duty to help those people in any way you can. Thank you very much for your time.

David Thank you, Robert, we appreciate it. Next up, we have Lesli Gooch from the

Sanchez Manufactured Housing Institute. I also know that perhaps Kara was going to sub in if Lesli wasn't able to be in attendance. So if Lesli or Kara can identify their line by pressing pound two.

Kara Beigay, MHI Hi, this is Kara Beigay with the Manufactured Housing Institute. I'd like to thank the team from FHFA and Fannie Mae and Freddie Mac representatives. We appreciate the opportunity to share our views during this important listening session about the Enterprises' Duty to Serve. Again, I'm Kara Beigay with the Manufactured Housing Institute and I am here to discuss the Enterprises' Duty to Serve the manufactured housing market. 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 and managers, suppliers and others who serve or are affiliated with the manufactured housing industry. We also have 49 affiliated state organizations. In 2018 the industry shipped almost 100,000 HUD code homes to destinations across the United States representing about 10% of all single-family housing starts in 2018. Manufactured housing offers value to consumers because of technological advancements and cost savings that are associated with the factory built process and because of the efficiencies that come with a federal building code. 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 $293,727 without land.

It is the main source of unsubsidized affordable housing in the US it is a critical homeownership option, commonly more affordable than rental housing and it currently serves 22 million people. Moreover, MHI data shows that manufactured housing residents love living in their homes. MHI recently conducted a national research survey which indicated that two-thirds of manufactured housing residents are satisfied with their homes and are likely to recommend living in a manufactured home to others. We appreciate FHFA, Fannie Mae and Freddie Mac for their attention to this important market and thank you for considering MHI comments as you develop the 2021, 2023 plan.

At the four previous listening sessions, MHI representatives discussed the importance of the GSEs committing to supporting the personal property market and to increasing their volume of real property manufactured home loan purchases. There was also substantial discussion at the prior DTS sessions about manufactured housing land lease communities. My comments today will focus on these areas.

There has been a considerable amount of time and effort dedicated throughout the previous plan cycle to preparing data gathering and developing the activities to test and learn about the personal loan or chattel market. We commend each of the GSEs for this important work. For the next plan cycle, we strongly encourage the GSEs to apply the lessons they've learned and actually start making purchases of chattel manufactured home loans. Given that close to 80% of the manufactured housing loan market consists of personal property loans commonly referred to as chattel financing, we do not believe that Fannie Mae and Freddie Mac can comply with their duty to serve manufactured housing without having a substantial purchase level for these loans. MHI firmly believes that in order for the GSE chattel programs to be impactful and scalable, they must be permanent, and they must mirror the market as a whole.

The Enterprises' chattel program should encompass a representative cross-section of the market and a cross-section of lenders. A temporary program or one that only serves A paper consumers, leaving higher risk paper to the private sector, has the potential to disrupt the current chattel market participants. Care must be taken to minimize such disruption and to ensure that the GSEs are serving the 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 by 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 offers significantly below the appraised home value. Initial chattel loan purchases by Fannie Mae and Freddie Mac should not just be a few one-off purchases for a few years in which they just buy the safest easiest loans. We strongly encourage FHFA to support the Enterprises' development of a permanent chattel program that encompasses a representative cross-section of the market and a cross-section of lenders. The goal should be to lead to a flow program in which lenders can originate to underwriting standards put out by Fannie Mae and Freddie Mac and Fannie Mae and Freddie Mac will then securitize the loans.

MHI commends both Fannie Mae and Freddie Mac for several policy changes and variances to its manufactured housing products to increase volume for real property loans and we encourage continued strategies to support real property loans going forward. In addition, MHI is pleased that both GSEs have introduced new programs that provide affordable conventional financing for manufactured homes with site-built features. Qualifying home features for the MH Advantage and Choice Home programs align with the industry's new CrossMod homes with higher roof pitches, permanent lower profile foundations, garages or carports, and porches.

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 the traditional site-built housing is not produced at below $200,000. CrossMod homes will serve this gap in the market. Looking forward, MHI believes the GSEs could provide further support on certain challenges the industry has seen in developing this new product, specifically on appraisal and engagement issues. For example, we encourage the GSEs to create a strategy for assisting with zoning issues for this new type of home. Such as strategy could include the development of materials for zoning presentations, educational materials, and relationship building with local governments and entities. It could also address appraisals to ensure appraisers follow the new appraisal guidelines for homes that qualify for Choice Home and MH Advantage. We recommend the GSEs develop a functional solution that fits into the lender and underwriting process such as a form that provides appraisers with very specific instructions and guidelines.

We recommend more purposeful outreach and engagement for retailers, lenders, loan originators and appraisers, so they are aware of these new programs. For example, we suggest creating a website or portal explaining the program with information and examples. There's also been much discussion about the GSE support for the purchase of land lease communities. Given the financial and lifestyle benefits of owning a manufactured home versus the limitations that come with renting an apartment or buying a condominium or other site-built home, millions of individuals, families and retirees have chosen to live in land lease manufactured housing communities. Land lease communities offer more than affordable housing. Communities offer a sense of neighborhood and often feature a range of amenities, many that offer services like afterschool programs. As I mentioned earlier, MHI recently conducted a national survey that measured the satisfaction of manufactured housing community residents. This survey shows that 95% of residents in 55 plus communities and 87% of residents in all age communities report satisfaction with their homes.

MHI understands that there is concern about some bad actors raising rents excessively and otherwise acting in bad faith. This is why MHI’s national community council recently reaffirmed their commitment to ensuring residents of manufactured home communities have the highest quality of lifestyle by approving a national code of ethics. MHI’s national communities council is comprised of community owners, managers, and individual companies whose primary business supports the development, finance, or operation of the manufactured home communities. The NCC code of ethics outlines eight principles that members must subscribe to as part of their membership with MHI. These principles focus on promoting the benefits of manufactured housing and land lease communities as well as customer and resident relations. While the upholding of these principles is already the norm of professional owners and managers, given recent reports and some negative attention on the industry, the NCC wanted to make clear that its membership should be providing their residents an outstanding home ownership experience. We believe that such responsible, professional ownership of these communities should be supported.

Dedicated investor owners have resources and expertise to steadily reinvest in the communities to ensure quality of life for residents. Professional management supports not only the overall appearance of the community but also ensures that the infrastructure is safe and reliable. Raising rents and evicting tenants is counter to the prevailing business model of every professional land lease community owner-operator who relies upon stable rent and high occupancy. Like an owner of an apartment complex or other rental housing type land lease community owners have every interest in ensuring they can simultaneously provide quality residential services while also ensuring that community remains competitive in the local housing market. These considerations are the same for resident-owned communities as for investor-owned communities and both take rent increases very seriously. Expenses, capital investment, etcetera, are components of effectively operating and managing communities. MHI and our members appreciate the work that has gone into the Duty to Serve activities and are ready to help and support the GSEs as they take the next step in continuing to develop a robust secondary market for all manufactured home loan products. A stronger involvement by Fannie Mae and Freddie Mac in the manufactured housing market will not only strengthen homeownership opportunities but also offer an alternative to consumers who are hurt by unaffordable rents or the shortage of adequate housing. Thank you for your time.

David Sanchez Thank you, Kara. We appreciate it. That concludes our panel of speakers on manufactured housing. We're going to—before we move over to our final panel on rural housing and other areas we were going to do one more quick poll and our moderator, Candace is going to provide instructions on the poll.

Candace As the poll is published please select your answer to the question displayed by clicking on the gray circle next to your response. Make sure to click the submit button at the lower right for your response to be recorded. When you're finished responding, you may collapse the panel by clicking the polling icon on the top left of your screen. The poll will be closing in about 10 seconds.

We have 15 responses for the FHFA Annual Housing Report, eight responses for the 2018 Enterprise quarterly and annual reports, four for single-family loan purchase data dashboard, eight for the interactive maps or data on rural areas and other geographies, eight for 2018 to 2020 Plan modifications request for input, and three for other resources that were not listed.

David Sanchez Well, thank you very much Candace and thanks again to our last panel of speakers. Just a not so subtle plug for everyone on the webinar to check out all the information that we try to make public about the Enterprises' activities. Those are on FHFA dot gov on the Duty to Serve page. We're going to move to our final panel, which is on rural housing and other areas. Our first speaker is going to be Jessica Deegan from the Minnesota HFA. I know we have sides for you, Jessica, which I'll bring up in just a moment, but if you could identify your line by pressing pound two.

Jessica Deegan, MHFA Good afternoon. Thank you for the opportunity to comment today. My name is Jessica Deegan and I direct federal policy and programs for the Minnesota Housing Finance Agency. Minnesota Housing is a state agency in our governor's cabinet and like housing finance agencies across the country we're essentially a mission-based bank. We believe housing is the foundation for success, so we collaborate with individuals, communities, and partners to create, preserve and finance housing that is affordable. Our agency leverages many state and federal resources to achieve our mission. We are the primary allocator of the Low-income Housing Tax Credit. We receive home investment partnerships funding as well as the GSE capitalized National Housing Trust Fund, in addition to many state resources. I'm here to encourage the GSEs to continue to connect with us and other HFAs as they develop their plans.

While our work interfaces with most aspects of Duty to Serve, today I want to focus on the challenges and opportunities of rural preservation, particularly in the rental market.

I appreciate the comments by Alabama HFA earlier on home ownership activities. We agree with those comments as well.

Rural preservation is a hard to serve market. We all know this. That's why it's in the rule and that's why preservation of federally assisted housing is a strategic priority of our organization. In total, Minnesota has roughly 350,000 rental units that are affordable to households with incomes at or below 50% of area median income. About 56,000 of those have federal rent subsidies. Another 60,000 are affordable through other income or rent restrictions like the Low-income Housing Tax Credit. Roughly 230,000 are naturally affordable, which are typically affordable because they're dated, they lack modern amenities and or they need repairs or rehabilitation. We have some challenges in preserving these units, challenges that are exacerbated in rural areas.

Of Minnesota’s roughly 30,000 project-based Section Eight units, over 15,000 are in projects with a contract that will expire in the next 10 years. We're seeing more and more owners of properties that have only a partial Section Eight contract opting out of the program. We're also seeing increasing acquisition prices for Section Eight buildings, especially when properties are being sold by a broker. The price per unit is now routinely over $100,000 per unit and many national players are competing with local nonprofit preservation buyers. Then we get an appraisal, there can be a gap because the sales price is far beyond the value of the property. More than 20% of the 10,000 USDA Rural Development units are in properties with a mortgage that is maturing within 10 years. The rental assistance is tied to the mortgage, as we all know it's not standalone, so when the mortgage is gone, the affordability goes along with it.

These properties are on the map that's shown on this slide and they are very essential components of the affordable stock in rural areas and sometimes are the only option in some rural communities. Rural Minnesota has issues with underutilized contracts in the Rural Development program due to market issues and for RD properties in particular, we have owners who are very elderly and they're dying and leaving an increasing number of properties that have no owner of record, which makes it really difficult in a preservation perspective.

The issues so far are unique to federally assisted properties. Annually Minnesota is losing about 2,000 naturally occurring affordable rental units when they're sold, rehabilitated and have the rent increased. We've partnered with Freddie Mac in this space over the last year and purchased around $20 million in participation certificates for NOAH projects. We'd like to do that kind of activity more.

Manufactured home parks play an important role across the state. Yet we like other States, have experienced increasing park closures, especially in rural areas. Preserving these parks presents a challenge. We all need to think more creatively about in financing structures. In Minnesota we also have substantial involvement with our 11 tribal reservations. We meet the high-need rural in the final rule through Native American populations and multifamily rental has been a focus for us in these communities. We've allocated about 38 tax credit developments on tribal lands, over a thousand units, and these developments are almost exclusively in low CRA demand areas. And tribal properties are really uniquely positioned for us to utilize the eventual tenant-ownership provisions in the tax code, but it's been very complicated in practice.

The solutions to rural preservation can be complex and it takes incredible partnerships to achieve. In Minnesota we facilitate an interagency stabilization group for preservation and our rural focus group includes partners from all levels of government including HUD, USDA, rural development, state, local and not for profit community-based organizations.

Together we work to strategically prioritize our resources to preserve existing assisted developments as well as unassisted developments as in the case of those NOAH properties. These are our financial tools on the slide in our current toolbox that we believe could be enhanced by involvement such as loan purchases by the GSEs through their Duty to Serve plans.

The Low-income Housing Tax Credits. We have a rural development set aside that allows these properties to access what is normally a very competitive resource and we're able to find one to two RD preservation projects each year with the set-aside. While RD properties are often smaller in scale, we tend to preserve small portfolios into one project to make the deal work. A quick aside is that we appreciate that the GSEs have an ability to be back in the tax credit investment space, especially timely as that lower corporate tax rate enacted by the Tax Cut and Jobs Act of 2017 really did put downward pressure on tax credit pricing.

The tax credit market in rural areas face other challenges including a lack of investors and the need to set rents at lower rates to meet the program standards. This makes the GSE involvement all the more critical. We encourage the GSEs to continue making housing credit investments as a key part of their rural housing efforts and to set more ambitious investment targets moving forward. We also ask that FHFA consider to allow GSEs to receive Duty to Serve credit for housing credit investments that support other Duty to Serve mission areas such as affordable housing preservation. Tax credits aren't our only tool in this work. For example, we've prioritized our other federal resources such as HOME for preservation of federally assisted housing and we also have a toolbox of state resources to do this work including housing infrastructure bonds. The Duty to Serve rule allows Fannie Mae and Freddie Mac to receive credit for the purchase of tax-exempt housing bonds, both multifamily and single-family mortgage revenue bonds, as long as the GSEs can demonstrate the loans financed by the bonds assisted very low, low or moderate-income families in a particular underserved market.

So far, housing bonds have not been a large part of the GSEs’ Duty to Serve activities, partly because the GSEs’ authority to purchase tax-exempt bonds while under conservatorship is not clear and the income limits for housing bonds do not line up with the income requirements for Duty to Serve. We urge FHFA to consider how it can amend the Duty to Serve requirements for housing bond purchases to give the GSEs and housing finance agencies more flexibility. And we also encourage the GSEs to consider how they can work with us and other housing finance agencies to utilize bond investments within the current requirements of the rule.

We also have the publicly owned housing preservation program which is capital funding for public housing. It's lacking and our state is able to provide this resource through government obligation bonds. It's not enough and it makes it difficult for a project to undergo a RAD conversion because a property funded with this state resource is required to stay publicly owned for 30 years. We need new and creative partnerships to keep public housing viable as our resources are getting stretched more and more. In Minneapolis on the Wednesday morning before Thanksgiving, a public housing high rise home to primary immigrant seniors experienced a horrific fire on the 14th floor of the property where the lives of five individuals were lost. This property was without sprinkler systems as are many others throughout Minneapolis and the state of Minnesota. Capital funding needed to retrofit and address health and safety concerns such as these is inadequate. It's been inadequate for decades, so we want to know how we can work with the GSEs to stretch all our resources in the tool kit.

Other sources like the Preservation Affordable Rental Investment Fund and the Rental Rehabilitation Deferred Loan Program, our state appropriated resources as well, but both are very small loans that I recognize would not typically attract GSE involvement. But again, we ask that the GSEs be creative in their next plan to consider ways in which pooling of projects or resources could address these hard to serve markets. Finally, I'll conclude with another plug for manufactured home communities. Really, I'm talking about that trifecta of Duty to Serve in this case. We need to preserve manufactured home communities in our rural areas as they are an incredibly important resource. We've experienced increasing number of park closures, as I've mentioned, and many parks have infrastructure needs that outweigh what park owners are willing to do. These parks and many of the multifamily rental homes in rural parts of our state are small. Again, I know that purchasing such small loans is not attractive, but we encourage the GSEs to consider creative solutions in pooling or other options to partner with housing finance agencies so we may stretch our resources further and accomplish more together.

Thank you for the opportunity to talk about affordable rental preservation today. We look forward to continued partnerships with the GSEs as we achieve our shared affordable housing mission. This concludes our comments.

David Sanchez Thank you Jessica. Next up, we have Jim King from the Federation of Appalachian Housing Enterprises, or Fahe. Jim, if you could identify your line by pressing pound two.

Jim King, Fahe Great, so just to clarify-- Jim King, I serve as the president and CEO of Fahe. We don't actually use the name Federation of Appalachian Housing Enterprises anymore. We're a $250 million regional Community Development Financial Institution that serves

Appalachia, which is one of five of the most high persistent poverty regions in the United States. Thank you to FHFA for the opportunity to address what should the Enterprises do in their 2021 to 2023 Duty to Serve plans. I appreciate the, opportunity to offer some thoughts and certainly would feel remiss if I didn't express my gratitude for the work that the both of the Enterprises have brought to our part of the world already and their genuine interest and efforts to reach the people in the community of Appalachia as well as other regions that are high poverty and hard to reach.

My comments then are not-- shouldn't be any surprise. They're going to be about how the Enterprises should direct additional attention to persistent poverty counties in the United States. Of the 395 persistent poverty counties in our country, 80% of those are counties that are considered non-Metro or, or rural and are home to over seven million people. So not an insignificant number of folks. I have four different items that I'd like to at least briefly address on single-family, multifamily, investments in delivery, and research.

On single-family-- the creation of a CDFI or Community Development Financial Institution preferred product, something similar to what the housing finance agency preferred product looks like. For Fahe, we are the delivery for HFAs in the persistent poverty counties in central Appalachia. Our counterparts in other parts of the country like in the Delta and in Indian country, other regional CDFIs who would play some of the same things-- taking a different look at income limits in those persistent poverty counties and any exceptions would be warranted based on the very low area median incomes that these places often have. For example, in, in five of the counties in which we work, the median income is actually below the national poverty line. A relative measure of need or a relative measure of eligibility becomes really problematic and leaves out large parts of a service area like Appalachia that are, folks who should be served if they lived anywhere else.

The second part of something we would encourage in single-family is how to work with the Enterprises to create a scalable delivery mechanism that doesn't really exist in some of these footprints now. We don't have quite the volume that it would normally take. Some type of a single delivery platform or perhaps a broker type network across the persistent poverty counties nationwide that would support the ability to aggregate and build some capacity as well as some consistency in the delivery.

On multifamily, the creation of multifamily. I really appreciate the last speaker from Minnesota talking about preservation or rental-- rural rental housing, which is much needed. Particularly when you get into the high poverty counties, it gets more difficult because not only is the size of the deal small, but there are pricing inequities when compared to other deals in more affluent parts of the country. Developers, and I've been a developer in my past life, you're not incentivized to go to places where things are going to be by all measures not as easy. Anything that we can do in terms of bolstering a delivery mechanism there, working with rural, the regional CDFIs-- who have a track record of putting together deals in persistent poverty areas would be, we think, an approach that would get a greater impact in these regions. We would suggest the establishment of a $50 million Low-income Housing Tax Credit fund that would be sponsored with the participation of the Enterprises. Most of these counties are not represented by regional or national banks and so equity is not being formed easily. I think knowing that a fund was established for those regions of the country like ours, it gives a certain freedom to focus on the development teams to begin to put the deals together in place without having to hunt as hard as we often do for capital that is equitably priced. A proprietary fund would be probably most advantageous to those of us in the field, but even a multi-investor fund, would still be a move forward for us. Fahe in the past ran such funds and when the Enterprises withdrew from this activity a decade ago it was-- getting other investors interested in working in persistent poverty counties really did dry up. And so we're super excited that they've reentered that market.

Also related to multifamily, looking for and having the assistance of the Enterprises to work on set aside and basis boost for persistent poverty counties with HFAs as part of the QAP process would be also something that we think would make a real difference.

Third item on my list of comments is investing in delivery. As I've mentioned, we're a Community Development Financial Institution. Our ability to grow and thereby bring capacity to the region is tied up in what kinds of investments that we get. We would love to see it as an eligible activity for the Enterprises to be able to make loans directly to our balance sheet in the form of either patient capital or an equity-like investment. In CDFIs, the mechanism that's traditionally been used is called an EQ2 which has a designation that allows us to show certain debt as equity-like.

Then fourth, well, I'll just elaborate on that as I'm watching the clock. I have a minute here. What that allows is we serve as an anchor institution in our region. As I mentioned early in my comments, we are the delivery for several HFAs in these high poverty counties. Strengthening our ability to deliver would be a way that we can bring greater impact as part of Duty to Serve to those remote and difficult to reach places.

Now, finally, fourth, research. There is a lack of information about rural places generally and particularly in the financial landscape. I think working with boots on the ground organizations like my own in terms of what loan performance looks like, as particularly coming through CDFIs. We would be willing to provide data along with a cohort of other like organizations as to how loans have performed over time. Could work with the Enterprises to see how the loans might perform better than maybe other traditional risk indicators would suggest. Similarly, for past Low-income Housing Tax Credit performance, doing some research that would also help to demonstrate how housing with Low-income Housing Tax Credits that target high need rural and persistent poverty perform well.

We currently have a couple dozen properties, just anecdotally, that none are on the watch list and that performance goes back-- we're coming into the 10 to 15-year mark on those. It's about execution, not about location. To sum up, you know, just to encourage a targeted approach to persistent poverty regions in the 2021 to 2023 Plans. The target that would address approaches with regional anchor organizations such as my own that have built a proven approach. We need strong partners like the Enterprises in order to increase that impact. Thank you for the opportunity to have a few minutes of your day and I look forward to continued work with Fannie Mae and Freddie Mac as well as FHFA. Thank you.

David Sanchez Great. Well, thank you so much, Jim. Next up, we have Jeannine Jacokes from the Community Development Bankers Association. Jeannine, if you could identify your line by pressing pound two.

Jeannine Jacokes, CDBA Well thank you so much. Well, first of all, I have to say I'm humbled to follow Jim King. Fahe has been a leader in the community development finance field and has done some really really impressive and impactful work in Appalachia. I certainly want to endorse and support the ideas that Jim has forwarded here today.

First, I want to say on behalf of the members of the Community Development Bankers Association or CDBA, I thank the leadership and the staff of the Federal Housing Finance Agency for holding these listening sessions. My name is Jeannine Jacokes. I'm the CEO of CDBA. CDBA is the national trade association for banks that have a primary mission of promoting community development. Currently, there are 138 banks and 93 bank holding companies that are designated by the US Treasury as Community Development Financial Institutions or CDFIs.

That basically means that at least 60% of their total lending, services and other activities are targeted to serving low and moderate-income communities. Now the urban, rural and Native American communities that CDFI bank serve are characterized, you know, sort of by high unemployment, poverty, lack of opportunity for residents, and of course widening inequality relative to the rest of the nation. CDFI banks work to finance affordable housing in the underserved market segments that are outlined in the statute, namely rural housing, manufactured housing and affordable housing preservation. Now our membership is comprised of small banks that have a strong commitment to community and financial inclusion. In fact, 47% of the CDFI banks in the country are headquartered in high need rural areas that are targeted under Duty to Serve. So this is kind of right-- you know, this role really speaks to the core of what many of our members do.

I think, you know, first and foremost in terms of recommendations, we want to urge the FHFA's leadership to continue to maintain a strong focus on high need rural areas. We all know that income inequality is growing in this nation at a pretty rapid pace. And rural areas are, of course, among those that are the hardest hit. You know, just a stat, you know, to underline this – is that from 1989 to 2016, the share of wealth held by the bottom 90% of earners fell from over 33% to 23%. This trend has of course continued in the years since that stat was taken.

The second thing we wanted to urge the GSEs is really to embrace partnerships with CDFI banks as a central element of their Duty to Serve strategies. CDFI banks are on the frontline of addressing the need for affordable housing in high need rural areas that are the focus of the underserved market plans and per the FHFA's regulatory requirements that the Enterprises seek to support small financial institutions, the CDFI banks should be considered ideal partners with an average asset size of $434 million. Sort of, you know, we're right in those places and we're right precisely, those small financial institutions.

The CDFI banks, they have operated in these areas for decades. They understand risk and local credit needs. The CDFI banks have found ways to meet affordable housing needs in a safe and sound manner despite the great market challenges and the large majority of loans that the CDFI banks originated, unfortunately, do not fit the box of the Enterprises' conventional products. Further, despite having good borrowers and seasoned loans with strong repayment histories, these bank loans largely remain in portfolio. Very few get sold. We believe that there is much that the Enterprises and the FHFA could learn from local mission-focused CDFI banks.

In my opinion it's going to require, you know, much greater flexibility than the current GSE standards and the FHFA policies currently afford. I believe that's a challenge, you know, for all parties there. Now in October of 2018, CDBA hosted a Duty to Serve bus tour and roundtable in Indianola, Mississippi, which is in the heart of the Mississippi Delta-- sort of a big portion of the places we're talking about. We were very pleased to have participants from FHFA, Fannie Mae, Freddie Mac, local and state government, nonprofit, for-profit developers, and a large group of CDFI banks from the greater mid-South region. We had a really robust discussion about single-family mortgages, affordable multifamily preservation, manufactured housing, financial literacy, and of course, you know, how the GSEs see CDFI banks. Yet, you know, we're a year, year plus later and we still haven't really seen any tangible progress towards forming partnerships with any of these things. I would urge that as a challenge and something we'd like to see an improvement in, in this upcoming period.

On our Delta tour we saw firsthand the problems that housing developers, lenders and borrowers experience. We saw great challenges and really dire need. Small towns that had poverty rates over 40%, much like, you know, the areas that Jim was talking about. We saw neighborhoods of aging housing stock where the cost of rehab can be out of reach for the residents and so the housing stock just simply deteriorates. We saw modest single-family homes that are hard to buy and sell because of difficulties with rural appraisals and the cost-prohibitive nature of small balance mortgages. And yet there were also examples of great opportunities. CDFI banks and developers working together to provide safe, healthy housing. We saw nonprofits who put every dollar in helping their neighbors learn about credit scores, financial planning, and how to become homeowners. In a sort of-- despite the large portion of CDFIs in the mid-South, most have never worked with Fannie and Freddie. Most do not originate a high enough volume of mortgages to be direct sellers. And most of the loans originated do not fit the conforming standards due to the economic challenges of the communities they serve. Sort of a vicious cycle. We know the issues are complex, you know, they range from loan to value to small mortgage sizes, to appraisals to financial literacy and other factors. I would say, we believe the FHFA should ensure that the Enterprises have robust plans for the 2021- 23 period that really challenge the GSEs to expand the distribution of single and multifamily housing.

Within the recently released requests for input on the proposed modifications for their '18-'20 Duty to Serve plans, both the GSEs proposed to reduce, rescind, or otherwise modify prior loan purchase or other commitments across multiple types of housing. We're certainly concerned about that and we would urge the FHFA to maintain housing targets.

CDBA welcomes the opportunity to engage in a deeper dialogue with FHFA and Fannie and Freddie on how to develop some pilot initiatives tailored to the needs of the underserved communities where our CDFI banks are-- kind of like what, you know, we're doing an Appalachia. We would also recommend the Enterprises create underserved markets advisory committees, comprised of CDFIs and other affordable housing lenders that can provide ongoing guidance on implementation of the Enterprises' plans. Finally, I'd like to endorse and support the recommendations that were advanced by Opportunity Finance Network in the last listening session that the GSEs did, and very specifically for the GSEs to make equity and equity like investments in CDFIs as a mechanism for reaching some of these difficult to serve markets. Prior to conservatorship, Fannie Mae operated a very highly effective program that used that strategy and we would urge the FHFA to revisit this opportunity.

For decades these underserved markets have proven a challenge for the Enterprises to reach and thus we would encourage you know, the agency to think outside of its box too and engage in some creative problem solving around this. On behalf of CDBA and its members, I thank you for the opportunity to share these views and look forward to working with FHFA and the Enterprises to bring capital to high-needs areas. Thank you.

David Sanchez Great. Thank you so much Jeannine. Our next speaker, Judith Arnold, unfortunately had to cancel. We're going to move to our final speaker on our final panel and that is Marty Miller. Marty, if you could identify your line by pressing pound two.

Marty Miller, ORFH Thank you. Well I appreciate the opportunity to speak with you today. I work for a nonprofit organization called the Office of Rural and Farmworker Housing. We're based in Yakima, Washington. We do primarily the development of new farmworker housing. We also build other types of affordable rental housing in rural communities and we're increasingly working on preservation efforts of existing multifamily rental housing. I had a few comments I'd like to make all in the context of rental housing and rural communities. One is the nine percent credit program is a very valuable engine of creating affordable housing opportunities and preserving. However, there remains a huge discrepancy in pricing between rural projects and those in urban areas.

For example, in my state, if a similar development was being proposed in Seattle, it might see pricing around a dollar per credit, whereas in rural areas like Yakima where I live and am based the price might be closer to 85 cents or lower. We appreciate the GSEs' investment in syndicators and funds that serve rural areas, but that pricing discrepancy has remained. I think that at the root of it is some-- what appear to be contradicting goals of the desire to invest in rural markets, but the other guidance of not being a price setter and those things I believe are working against each other. I'd like to encourage the GSEs and FHFA to consider how to be more-- to do more in rural areas, to try to encourage greater investment and very concretely improve pricing that makes these projects work.

Along a similar line I would recommend more flexibility in underwriting. There's a lot of smaller organizations that serve rural areas and as the tax credit market has evolved, the balance sheet requirements have steadily been rising, like net assets and liquidity, which are very difficult for smaller organizations to reach. To serve those markets adequately, I think there can be a lot of collaboration between funds and syndicators to try to allow a little more latitude in these underserved markets.

Shifting over to preservation, we're losing a lot of units in rural America particularly in the USDA Rural Development portfolio. It was recently reported by the Agency itself that I believe in the last year they lost near or over 16,000 units. That trend doesn't appear to be slowing down. There are some good tools out there including the Section 538 guaranteed loan program which I think would benefit from the support and encouragement by investments via the GSEs.

Also, secondary markets for permanent financing can leverage funds and encourage additional preservation work. Finally, just that in doing so, use restrictions remain supported so that within this process, low-income families continued to be served and we don't lose those to market rate or, you know, never ending, kind of flipping as a way to extract value out of housing that was intended to serve low income people. A lot of work and opportunity to be done in rural America. I appreciate the opportunity to express some areas that we hope you will be able to pay attention to. Thank you very much.

David Sanchez Thank you so much, Marty. Now we're going to move to the segment of the webinar and the listening session where participants are allowed to ask questions of FHFA and the GSEs. Before we begin that, my colleague Jim Gray was going to remind us of the ground rules for the Q and A session.

Jim Gray Now the ground rules are, just briefly, we ask that you not request that specific things be included in the plans. The purpose of this is to hear from you. It's not for the

Enterprises to commit specific things. Second, if you ask a question on something that's more specific than they can answer today they may ask to get back to you. Third, if you ask a question that pertains to an issue where Fannie Mae and Freddie Mac compete with each other, then they may also not want to talk about that on this call. Of course, there is only, we're going to have one question per person.

David Sanchez Candace, did you want to walk us through the instructions for people who want to ask questions verbally?

Candace Absolutely. As we move to Q and A, please press pound two on your telephone keypad to enter the question queue. You will hear a notification when your line is unmuted. At that time, please then state your name and question. Once again, you may submit a written question through the WebEx chat or press pound two on your phone to indicate that you wish to ask a question.

We currently have two questions that have come in through chat. The first is from LA Kovac. If the GSEs get released from FHFA conservatorship, will DTS mandates continue in place?

David Sanchez FHFA will answer that question, I think. If the Enterprises want to add anything they are, of course, welcome to. The answer is yes, the Duty to Serve mandate will continue in place if the Enterprises are released from conservatorship. The way that our agency broadly divides its work is we are both the regulator of Fannie Mae and Freddie Mac and their conservator and Duty to Serve falls under our functions as a regulator. While there might be small tweaks to how we interact with the Enterprises throughout the Duty to Serve process by and large, the processes that you see today will exist outside of conservatorship.

Candace Our second question comes from Robert van Cleef. He asks, I would like a pointer to the tenant protections mentioned in the Freddie Mac presentation.

David Sanchez I'll start on that real quick and then maybe turn it over to Freddie Mac, if that works for you Freddie.

Through the process of doing a proposed and final Duty to Serve rule FHFA proposed to comment on and finalize a set of tenant protections that the Enterprises need to follow in order to receive Duty to Serve credit for a certain subset of their manufactured housing community loans. Those tenant protections are spelled out in the final Duty to Serve rule in the Federal Register which is available on our website. We would be happy to follow up via email with a list of those protections. Both Enterprises have taken actions to put those into action in the market. Freddie, would you like to speak?

Corey Aber Sure, this is Corey Aber at Freddie Mac. I'd also like to add that we have done and published really substantial research on the tenant protections and their presence in state law across the country. We looked at all States and the District of Columbia, so that research paper is on our website. If you were to just Google Freddie Mac, tenant protections and manufactured housing, I'm sure it would come up readily.

Jose Villareal Hi, this is Jose with Fannie Mae. I really don't have anything more to add on onto that.

David Sanchez Yeah, we've been encouraged by the progress that the Enterprises have made over the past year or so in terms of introducing products that encourage MHC owners to adopt the tenant protections that are specified in our rule. Obviously, we look forward to seeing more about the impact that the Enterprises can make in this underserved market.

I'm hearing from our event producer that we have no further phone questions at this time. If anyone wants to ask another question or ask a question you know, please go ahead and do so now. Otherwise we will call the listening session to a close.

Jim Gray Thank you all for participating. We've gotten a lot of good ideas in this listening session and we encourage you to check back on our website for some of the other reporting resources we talked about earlier, as well as an opportunity to see a transcript that we will have hopefully within a month or so of this listening session as well the three prior listening sessions. Thank you.