TOI ROBERTS: Hello and welcome to the Federal Housing Finance Agency's 2023 Duty to Serve Markets public listing sessions. I am Toi Roberts, a member of the Duty to Serve Markets team and I will be emceeing today's listening sessions, and today the listening sessions will be recorded. Thank you all for joining us here today. We are excited to be hosting another series of public listening sessions this year that focuses on all three Duty to Serve underserved markets. This year's listening sessions we are particularly interested in getting your feedback on the Enterprises' next Duty to Serve plan cycle activities for 2025-2027. We will be hosting three listening sessions, one for each Duty to Serve underserved market and for today's session we will be focusing on the Affordable Housing Preservation Market. But, before we get started, I'd like to first introduce you to the lead of our Duty to Serve Markets team, Supervisory Policy Analyst, Ms. Marcea Barringer.

MARCEA BARRINGER: Hi everyone and thank you so much Toi. As Toi said, I am Marcea Barringer and I'm a Supervisory Policy Analyst and the team lead for the Duty to Serve program at FHFA. It's my true pleasure to welcome all of you today to this listening session and it's also my pleasure to introduce Ted Wartell who will be providing our opening remarks. Ted is Associate Director of the Office of Housing Mission, I'm sorry, Housing and Community Investment in the Division of Housing Mission and Goals at FHFA. Since the creation of the Office of Housing and Community Investment, he has coordinated the oversight of the Enterprises' Affordable Housing Goals, Duty to Serve, and the Federal Home Loan Banks' affordable programs. Prior to coming to FHFA, Ted served as the Director of Regulatory Affairs at the Office of the Comptroller of the Currency. He's also served as Chief of Staff for Community Lending at Fannie Mae, and prior to that served in the Office of Policy at the U.S. Small Business Administration, and as a budget analyst for affordable housing programs at the U.S. Office of Management and Budget. Ted.

TED WARTELL: Thanks so much Marcea and thanks Toi. Good afternoon everyone and welcome, and a special thank you to all of you for participating this afternoon. It has been a really busy week of listening sessions. I know some of you participated in in our earlier sessions. On Monday, we talked about rural housing, yesterday, on manufactured housing and today is our final listening session and we're focusing on the affordable housing preservation market. Just going to start by touching on a few of the ways that

Fannie Mae and Freddie Mac already support this market. First, through rental housing with expiring affordability requirements, another is shared equity homeownership, and another is energy and water efficient homes for rent and for sale, and as you all know there's a great deal of need in all three of these areas. Starting with expiring use provisions, about 5 million units or 10% of the U.S. housing stock or rental stock is supported by federal project-based programs and by some estimates by 2026 close to 330,000 affordable units will have expired affordability restrictions. Shared equity is one way that allows low-income families to be able to afford home ownership when last surveyed approximately 250,000 families actually own shared equity homes in the U.S. and we know that number is growing in part as a result support of Fannie Mae and Freddie Mac. And, then, in the energy and water efficiency sector we know the lowest 20% of low income earners spend close to 9% of their income on energy expenses compared to about 6.5% for families at the average income level. And, according to the study from the American Council for an Energy Efficient Economy, low-income minorities in older households often have higher energy costs than others living in the same areas. As far as where we are right now, FHFA is already coordinating with the Enterprises as they're starting to develop their next to Duty to Serve plans which will cover 2025 through 2027, and that's why listening sessions this week are especially important. Fannie, Freddie, and certainly FHFA need to hear from stakeholders like all of you about the current activities the Enterprises should continue, potential changes they should make in their approaches and then what new activities they should potentially add to their next plans. In a few minutes, Fannie and Freddie will tell you more about the things they're doing to address the needs in the affordable housing preservation market and some of what they plan to do in the future. So, on behalf of our entire team I want to thank you all again for joining us. I encourage you to submit written comments by July 31st. Please also consider visiting the Duty to Serve page on FHFA.gov or our YouTube channel in the coming days where you can view videos and transcripts of listening sessions we held this week. Thanks again. Let me turn it back to Toi.

TOI ROBERTS: Thank you Ted. All right and so now, before we move forward with the remainder of the agenda I do have a few important housekeeping remarks. As you know we have organized this webinar in order to obtain your input on the Enterprise's next Duty to Serve plan activities that fall under each of the three Duty to Serve underserved markets. During today's session FHFA will not discuss the status or timing of any potential rulemaking. If FHFA does decide to engage in a rulemaking on any matters discussed at this meeting today, this meeting would not take the place of a public comment process. The rulemaking document would establish the public comment process and you would need to submit your comments if any, in accordance with the submission instructions in that document. FHFA may summarize the feedback gathered at today's session and a future rulemaking document if we determine that a summary would be useful to explain the basis of a rulemaking. Also, please keep in mind that nothing said in today's session should be construed as binding on or a final decision by the FHFA Director or FHFA staff. Any questions we may have are focused on understanding your views and do not indicate a position of FHFA staff or the agency. Okay, now with that said, we have a great lineup of speakers today. We will be hearing from 17 guest speakers and midway through we will have a short 10 minute break. Each speaker will have up to five minutes to speak and we will try our best to stay on schedule and ask that everyone… [time lapse] a one minute warning as their time draws to a close. If someone does go over their time unfortunately I will have to interrupt in order to help keep us on schedule. However, if that does happen, speakers are welcome to submit written testimony and their full testimony will be included in the public comments record. Each speaker will have the ability to mute and unmute their microphones throughout the session but, we ask that you keep your microphones muted until it is time to for you to speak. We also ask that all speakers be prepared to turn on your video cameras during your speaking segment. Finally, as it was mentioned earlier, today's session is being recorded. FHFA will also prepare a transcript of today's session which will include the names of all speakers and the organizations they represent. We will post the recording and transcript on FHFA's website and YouTube channel along with any materials being presented today. And I'm sorry, I believe my camera was not on, so we're all set now. And then, we are now ready to… before we hear from our guest speakers, each Enterprise will speak briefly about today's listening session on the affordable housing preservation market. And the first up, we will hear from Fannie Mae. Speaking from Fannie Mae’s Duty to Serve team is Ms. Seema Radhakrishnan.

SEEMA RADHAKRISHNAN: Thank you Toi and good morning and good afternoon everyone. I'd first like to extend a thank you to Director Thompson and the FHFA Duty to Serve team for hosting this session and thank you as well to all the participants for your contributions today. So engagements such as today's listening session provide an invaluable opportunity to hear directly from industry advocates and stakeholders who are closest to the challenges of this market. For the 2025-2027 Duty to Serve plan cycle we've really tried to take a collective approach to writing this plan and we really look forward to collaborating with all of you and incorporating your ideas in the next installment of the plan. And as we all know, AHP is a very large market and is very diverse in all that it covers. We have learned a lot with respect to how expansive and important this underserved market is in the overall housing landscape. So in terms of our loan purchase trends and our multi-family business there have been several drivers. The volume growth in Section 8, LIHTC, and our residential economic diversity categories stem from consistent engagement with active lenders and sponsors in our core business segments. And in the rising interest rate environment, some deals are pulled forward in favor of locking in a rate at a faster pace. There's also a noticeable increase in the number of public facility corporations deals, particularly in the state of Texas, which contributed to growth in our state and local and our RED [resident economic diversity] loan purchase volume. We also learned a lot while engaging in our robust outreach efforts. Through our work in section 515, it was evident that technical assistance provided through partnerships on the 515 transfer application process were particularly important for small entities and nonprofits. And, on the energy side in our multi-family business, we studied decarbonization and learned quite a bit about its impact on affordability. But, during this study we also learned that further research is needed to understand how we can adapt product offerings in favor of decarbonization. And on the single-family side, we continue work with our industry partners to develop a database of cost-effective home improvement recommendations and local, state, and utility incentives for low and moderate income households. The database will support a web-based consumer tool that will launch in 2023. And, finally, as part of what we've learned through our participation in this market we also identified several challenges that we faced and that we will continue to face. In the rural preservation space, we recognize that process challenges persist in the section 515 business and the presence of available alternatives such as the USDA 538 product. We're analyzing ways to improve our competitive offerings and continue our outreach efforts to borrowers, engagement with just lenders, and our engagement with USDA to better understand barriers and potential solutions. In our RAD business it remains really challenging to accurately forecast the number of RAD transactions per year due to the long lead times, inability to forecast public housing financing needs, and variations in funding for public housing authorities. So we continue to navigate the various federal and local policies that play key roles in how quickly these deals are executed. In shared equity, the policy changes to accommodate the model deed restriction have been implemented and efforts are underway to complete lender engagement on the model deed restriction, so we continue to push forward on that. And lastly, in our distressed REO business, historically low REO volumes, as well as, rising construction costs, have constrained sales to buyers on the Community First platform. In response, we continue to be active in our outreach to nonprofits and public entities to improve the geographic coverage of Community First where we've expanded buyer coverage into six new states in 2022. And with that, I will conclude my remarks. And, I just wanted to thank all of you again for the opportunity to participate and thank you to all the participants for their valuable feedback. And, I'll hand it back to you Toi.

TOI ROBERTS: Thank you Seema. All right and so now we will hear remarks from Freddie Mac and speaking from Freddie Mac’s Duty to Serve team is Mr., I'm sorry, is Mr. Mike Morosi-Brown.

MIKE MOROSI-BROWN: Thank you Toi. Good afternoon, thank you to all of today's participants. We are fortunate to be joined today by thought leaders, market participants and others with deep expertise in preserving housing affordability. We deeply appreciate your feedback ideas collaboration and other efforts aimed at making a positive difference for people and communities across the country. We also appreciate the team at FHFA which continues to offer not just oversight but thought partnership and strategic insights that help guide our work. Thank you again for hosting today's forum. Over the course of Duty to Serve we've increased our presence in certain areas as we've expanded into others. We've had important successes largely because of your willingness to share insights and experience with us and to work in the spirit of partnership. Through this work we've also deepened our knowledge of what it takes to better serve underserved markets. We've always known the importance of collaborating across the ecosystem to help move housing forward but our work and Duty to Serve really puts an exclamation point on it. Progress requires strong relationships, deep expertise and patience and related to that no single solution can transform the market instead it comes about through incremental change, plus outreach and education that helps maximize the benefits. This is certainly true in the affordable housing preservation market. We work diligently to achieve our multi-family affordable housing preservation objectives throughout 2022, supporting more than 72,000 Duty to Serve eligible multi-family units in the AHP space with more than $12 billion in liquidity. This included record years for our LIHTC debt and Section 8 loan purchases. On the single-family side, helping to lower the costs through increased energy efficiency is a growing focus. For example, our GreenCHOICE Mortgage finances home energy efficiency improvements and proceeds from refinances can be used to pay off existing higher cost debt on previous energy efficiency improvements. Our single-family Green Bond program increases market liquidity and raises the visibility of energy efficiency mortgage financing, and to accelerate market growth we're working across the ecosystem to increase data standardization which is critical to capturing information that will deepen insights into the value of energy efficiency features and in turn encourage more lending and access to credit in this space. We learned that standardization and collaboration are also essential to growing shared equity home ownership and the long-term affordability that it enables. We champion standardization and best practices to help shared equity programs to strengthen their operations as well as make it easier for lenders to participate in this nascent market. Lenders have also expressed the need for access to more information about shared equity programs in their lending programs and the program's housing inventory to increase their confidence and willingness to participate. Here too, we have been working collaboratively to gather relevant information and make it easily available to lenders. Our mortgage offerings for financing homes with income-based resale restrictions, including in community land trusts, help make home ownership possible and affordable for more households that otherwise would likely be pressed out of the market, especially in high cost areas. Recently though, unfavorable market conditions have caused headwinds that have slowed loan originations and therefore our loan purchases across the board. We're working through this environment with our partners throughout the market and fulfilling our mission to support market stability and affordability in all economic conditions. Overall, we've made good progress in the affordable housing preservation market together but, there is so much more to do. We appreciate the opportunity to learn from you today and look forward to your constructive feedback which we will consider as we develop our next Duty to Serve plan. Your input and support are essential to ensuring that we build on our shared progress during the next plan cycle. Thank you so much.

TOI ROBERTS: Thank you Mike. And so now, without further ado, we will now begin hearing from our stakeholder guest speakers and the first speaker we have on our agenda is Ms. Megan Haberle from the National Community of Reinvestment Coalition. However, we don't yet have her on the line. So, we're going to go ahead and move on to the next speaker which is Mr. Mark Kudlowitz from the Local Initiative Support Corporation.

MARK KUDLOWITZ: Thanks very much Toi and thank you FHFA for the opportunity to comment today. My name is Mark Kudlowitz, I'm the Senior Director of Policy at the Local Initiative Support Corporation or LISC. Pleased to be able to provide comments on the GSEs Duty to Serve 2025 to 2027 underserved market plans. LISC was established in 1979. We're a national nonprofit Housing and Community Development organization and a Certified Community Development Financial Institution or CDFI, dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity. We mobilize corporate, government and philanthropic support to support local community development organizations with loans grants and equity investments, as well as, technical management assistance. Our organization has a nationwide footprint with local offices in 38 cities and a rural LISC network where we partner with almost 150 community-based organizations serving small towns. LISC invested over $2.8 billion in these communities last year and our work covers a wide range of activities, including affordable housing, economic development, building family wealth and incomes, education, and trying to create healthy communities. LISC is also a member of the Underserved Mortgage Markets Coalition. The UMMC is a collection of 29 affordable housing groups working to expand mortgage financing to groups traditionally underserved by the market. LISC believes that the Duty to Serve efforts should focus primarily on supporting and expanding transactions that improve affordable housing opportunities in underserved geographies and under underserved people. The effort of Enterprises pursuant to their Duty to Serve obligations should be evaluated by the extent to which they facilitate more transactions to create or preserve these type of housing opportunities. Particularly for households at the lowest end of the income spectrum, although consistent with the mandate to engage in for-profit, profit making activities for GSEs. This is why LISC has been supportive of UMMC recommendations to measure the GSE's preservation activities as an overall increase of their aggregate production volume levels. My comments today are going to focus on affordable housing preservation which is a critical component of the LISC broader strategy for community revitalization and economic mobility. LISC supports affordable housing preservation through technical assistance, our national footprint, and through our financing activities as a CDFI, and those of the National Equity Fund, our nonprofit low-income housing tax credit affiliates. So, what can be done in the next cycle? First, there's no greater more important program than the low-income housing tax credit program. In 2017, FHFA allowed the GSEs to re-enter the LIHTC market as equity investors setting a $500 million cap. With $200 million required for mission related activities. This was important since the mission related activities focus help provide equity for very underserved markets. It also broadened the investor market after corporate tax rates were lowered from 35% to 21% resulting in lower LIHTC equity pricing. FHFA subsequently raised the investment cap by $350 million for the GSEs for a total of $1.7 billion. And the investments above $300 million in a given year are required to be in areas that are have been identified by FHFA as markets having difficulty attracting investors. These investments are designed to preserve affordable housing, support mixed income housing, supportive housing, rural housing projects or meet other affordable housing objectives. LISC supports increases in the GSE equity investment caps and recommends that they be adjusted by an inflationary factor going forward. And that a portion of this extra investment authority continue to be dedicated to underserved LIHTC markets. These investments should also be eligible for Duty to Serve credit. This will allow the GSEs to increase their investment activity for projects difficult to finance and is especially important as the LIHTC market is subject to regulatory uncertainty as the Federal Banking Regulators work together to finalize the CRA rule potentially this year. The proposed rule that was out for comment would remove the investment test as a separate test which, if ultimately adopted in in the final rule, could have negative impacts on LIHTC pricing. FHFA should continue to increase the GSE LIHTC cap beyond the annual inflationary adjustments if the program receives additional resources from Congress or experiences negative pricing impacts from a new finalized CRA rule. I also want to touch on qualified contracts. LISC with our partners recently sent FHFA a letter with recommendations on how the GSEs can help preserve LIHTC properties by not providing debt financing for properties that could or did take advantage of a loophole to prematurely end affordability restrictions in the low-income housing tax credit program. This loophole known as the qualified contract provision is resulting in the loss of approximately 10,000 affordable housing apartments annually. Other presenters are going to discuss this issue in further detail, although we support recommendations at FHFA, one, prohibit the GSEs from investing in housing credit properties unless the owners agree to waive its qualified contract rights. Two, prohibit the GSEs from acquiring multi-family loans and housing credit properties unless the owners agreed to waive their QC rights. And three, prohibit the GSEs from acquiring multi-family loans on properties financed with housing credits where the owner has taken the property through the QC process and terminated the rent and income limitations on the property. And lastly, support, although outside here of this conversation, that Federal Home Loan Banks from providing affordable housing program funds to housing credit properties unless the owners agreed to waive their QC rights. I also wanted to touch on CDFI equity investment. LISC was particularly pleased that Fannie's current Duty to Serve plan states that and we'll quote, "explore the feasibility of investing in one or more CDFIs to provide improved access to affordable mortgage lending to consumers in high needs rural regions". This is a welcome advancement in the planned cycle since a plain reading of the authorizing statute for Duty to Serve indicates that the GSEs do have the authority to invest in CDFIs performing Duty to Serve activities. LISC recommends that FHFA authorize the GSEs to make equity or equity-like investments in CDFIs through other Duty to Serve activities, especially where there have been challenges making process through their conventional lender network. This will allow them to expand their investment activities and CDFIs in the next three-year Duty to Serve plan cycle and make improvement in those places where historically there have been challenges. Another critically important change is for FHFA to publish Duty to Serve data at an objective level, objective level data would create the feedback loop that's needed for the strategic planning process to improve the Enterprises business processes and to understand the results of their work in Duty to Serve space. We encourage FHFA to publish the evaluative data that you have also withheld to date. I thank you for the opportunity to provide feedback today on the GSEs affordable housing preservation activities. We encourage FHFA and the Enterprises to continue to commitment to the sector by increasing their role in preserving affordable housing and creating new markets where there are gaps. Thanks.

TOI ROBERTS: Thank you Mr. Kudlowitz. I'm sorry. Our next speaker is Ms. Ayrianne Parks from the Enterprise Community Partners.

AYRIANNE PARKS: Thank you for the opportunity to participate in today's session. As noted my name is Ayrianne Parks and I'm the Senior Director of Policy at Enterprise Community Partners. Enterprise is a national nonprofit that supports community development organizations on the ground, aggregates and invest capital for impact, and advances housing policy at every level of government. Since 1982 Enterprise has invested $64 billion and created over 951,000 homes across all 50 states, DC, Puerto Rico and the

U.S. Virgin Islands. The low-income housing tax credit, which is the nation's largest and most successful tool for encouraging private investment in the production and preservation of affordable rental housing is essential to this work. We appreciate Fannie and Freddie's partnership in this crucial affordable housing program and are proud to count both as housing credit investors. We also appreciate the opportunity to once again have this valuable dialogue with FHFA on affordable housing and equitable housing finance, and specifically acknowledge the alignment between Enterprise’s mission and the vision laid forth by Director Thompson for FHFA and the GSEs. Like LISC, we are proud to be a member of the Underserved Mortgage Markets Coalition working to expand mortgage financing to groups traditionally underserved in the market. Since re-entering the market, Fannie and Freddie have both deployed capital to support high impact affordable housing development across the country, including for developments that preserve affordable housing. And we also recommend the FHFA expressly include Duty to Serve credit for equity investment in preservation. As investors with an explicit public purpose the GSE should put the highest priority on the preservation of affordable, of housing affordability for the longest possible time period and addressing qualified contracts and right of first refusal should be explicitly incorporated into the GSE's Duty to Serve plans. With the significant losses due to the QCs noted by Mark each year, Enterprise strongly advocates for closing the QC loophole through Federal legislation as well as through state level policies requiring a QC waiver as a condition of receiving a housing credit allocation. Enterprise is also concerned about the practices of some owners of housing credit limited partner interests which have resulted in disputes and litigation over the terms of limited partners exit, particularly where the nonprofit holds a right of first refusal under section 42 i7 of the housing credit program. This litigation is contrary to Congressional intent with the ROFR provision and threatens the long-term preservation of these properties. We recommend the FHFA and the GSEs take the following steps to advance preservation priorities including requiring housing credit funds in which they invest, including single investor funds, explicitly state in the fund partnership agreement that one of the business purposes of the fund is to identify and implement strategies to maintain properties as low-income housing subsequent to disposition. Such a statement of purpose is paramount to the disposition planning typically occurring at the expiration of the initial compliance period. The statement directs the syndicator sponsor of the fund to pursue preservation strategies, including sustainability of the affordable units through the extended use period at a minimum, and it also enables the syndicator to push back on substitute investors who may try to direct the fund to pursue profit at the expense of preservation. Historically, this statement of purpose is in Enterprises fund agreements, including with Fannie and Freddie. Similarly, GSEs should require that the project level partnership agreements or the housing credit properties in which they invest include in their statements of business purpose to identify and implement strategies to maintain a property as low-income housing subsequent to the sale of the property. And two, during the extended use period maintaining and operating the credit units in compliance with the extended use agreement. FHFA and the GSEs should also prohibit language found in some project level partnership agreements which compels the general partner to submit a qualified contract request if requested by the limited partner. Such Provisions are entirely unnecessary and militate against the preservation purposes the GSE should be advancing. These Provisions would communicate strongly to all parties, including subsequent owners and investors, they express intent to keep the properties maintained in affordable long term. Enterprise supports the effort in Freddie Mac's Duty to Serve plan to include language and project level partnership agreement provisions intended to protect nonprofit project sponsors from future transfers parties who may move against the ROFR rights. We have worked with Freddie Mac to finalize this language in our nonprofit sponsored transactions. Some allocators such as New York City have adopted additional policies to achieve the purpose of the ROFR statute. FHFA and the GSE should consider requiring that these provisions be included in the partnership agreements for projects in which they invest. Public feedback on Duty to Serve plans is a valuable component of the process. We echo LISC's comments to request the FHFA publish DTS and EHF evaluation data on an objective level. We encourage FHFA to publish the data withheld to date as well. On behalf of Enterprise, thank you again for the opportunity to weigh in on these important preservation issues today which we would like to see incorporated in the next round of Duty to Serve plans.

TOI ROBERTS: Thank you Ms. Parks. Okay, so our next speaker, we'll hear from Mr. Robert Rozen from Rozen & Associates.

ROBERT ROZEN: Thank you for convening this session to receive recommendations on the Enterprises’ next Duty to Serve underserved markets plans and what actions can be taken with regard to the future activities in the affordable housing preservation market. My name is Robert Rozen and I'm a housing credit policy attorney and have been working on the low-income housing tax credit program since before its enactment in 1986. I believe Fannie Mae and Freddie Mac are positive forces in the affordable housing market and their Duty to Serve commitments elicited through FHFA make an important contribution towards efforts to address the nation's affordable housing needs. The issue I want to discuss is how FHFA can use the Enterprises to help address a housing preservation issue that arises from the ability of some owners to exit from their affordability requirements and the housing credit program after only 15 years of rent restrictions even though the program calls for a minimum 30 years of affordability. This issue, qualified contact, contract issue was discussed by LISC and Enterprise in previous testimony. This qualified contract loophole has existed in the housing credit program since 1989 but it only began to be abused within the last few years. As those abuses came to light major efforts were undertaken to encourage states to change their policies to require new tax credit applicants to waive their rights to seek a qualified contract. Many states took action to protect their affordable housing assets but, some did not. Particularly, in the case of the 4% credit program used with taxes and bonds, and a few of those who did enact waivers, only required it for less than 15 years. As pointed out by the previous speakers, the National Council of State Housing Agencies estimates or actually calculates that more than 10,000 units are lost annually due to this loophole. Unfortunately, as we have increased our policy efforts to battle this owner interested in converting their properties has only increased. Congress has been working to repeal the qualified contract provision but, in spite of this, the strong efforts of the former Chairman of the House Ways and Committee, Ways and Means Committee, Richie Neal and the current Chairman of the Senate Finance Committee, Ron Wyden, no legislation has been enacted because of determined opposition. Meanwhile, states continue to award valuable tax credit subsidies to housing credit developments that are supposed to be restricted for 30 years but which permit developers to get out of the program after 15 years, clearly a preservation issue. This is a waste of federal resources and results in cruel outcomes to the residents of these properties who when the properties converted are forced to either move out of the property or pay hundreds of dollars more a month in rent. There exists an active secondary market for housing credit properties in which owners have the right to get out of their rent restrictions after 15 years. Buyers pay a huge premium because of their ability to vastly increase cash flow by raising rents. The Treasury Department took notice of the situation when it issued guidance with respect to the use of state and local fiscal relief funds enacted in the American Rescue Plan Act of 2021. The Treasury Department recognized that it would compound an already unacceptable situation to provide more subsidy to these properties. Treasury Department guidance provided that no housing credit properties that have to the right to convert to market rent housing after 15 years through the qualified contract provision would be eligible for state and local fiscal relief housing funds. I'm asking you to extend that policy to the Enterprises with respect to their financing of housing credit properties. Do what the Treasury Department did, stop further federal resources in the case of the GSEs through the implicit federal backing and federal subsidy. Prohibit those from being used toward the abuse of the housing credit program. So prohibit GSEs specifically from investing or acquiring multi-family loans on housing credit properties unless the owner has agreed to waive the cost, its qualified contract rights, and also prohibit GSEs from acquiring multi-family loans on properties originally financed with housing credits where an owner has either taken the property through the qualified contract process or has the ability to do so. Thank you for the opportunity to share my views with you. Although this is offered as part of your review and preparation for the 25 to 27 DTS plans, I hope it is a policy that you could put in place before 2025. Thank you.

TOI ROBERTS: Thank you Mr. Rozen. Okay, so our next speaker Mr. Brian Stromberg from Grounded Solutions Network.

BRIAN STROMBERG: Yeah, thank you Toi. My name is Brian Stromberg and I am the National Policy Director for Grounded Solutions Network. We are a nonprofit membership organization of over 300 nonprofits and local governments that sponsors shared equity homeownership programs, and like many others on this call and the most recent calls we are also a member of the Underserved Mortgage Market Coalition. We are very grateful to FHFA for holding these listening sessions and to both of the GSEs for continuing to include shared equity homeownership as an activity in their plans and we hope that they will continue to do so. Before moving into any recommendations or requests it is important to acknowledge that much progress has been made over the last few years. Both GSEs have provided material support to vital research efforts. They've supported the development and adoption of a model deed restriction, pursued program certification processes and rolled out a very important selling guide changes. We are grateful for it, we celebrate these accomplishments but, of course there's always more to be done. Our requests and recommendations today focus on simplifying, aligning and leveraging efforts in four areas - the aforementioned model documents, the summary guide changes associated with them, program certification and ongoing research efforts. Our recommendations are based on the belief that the fundamental barrier to growth in the shared equity market, to increase in liquidity in the shared equity market, is the lack of standardization. This is not in the nature of shared equity programs but, rather across the GSEs in terms of their selling guide requirements, the treatment of model documents and the program certifications that they've engaged in. Mandated alignment may be necessary to effectively achieve these goals although a talk directive may suffice in some cases. We recognize that this would be a strong action on the part of a FHFA but, standardization will be difficult to achieve without coordinated alignment between the two Enterprises. If our recommendations are fully enacted they would expand access by low and moderate income households to affordable and stable home ownership opportunities across the country whether through a community land trust or another form of shared equity program. I will begin with requests related to the model documents and selling guide changes. First, we ask that the GSEs provide support for an update of the model ground leases followed by an alignment across both GSE selling guides, they will both be providing the same product offering for shared equity programs using the model ground lease. This includes clear appraisal instructions as in the Fannie Mae selling guide and removing the need for riders so that loans using the model ground lease document can be sold to either GSE. Second, we ask for alignment between the GSE selling guides whether it comes to a model deed restriction in order to minimize, when it comes to model deed restriction, in order to minimize lender burden. Following this, we ask that the GSE support any needed changes to that model deed restriction to ensure it is accurate and compliant with both selling guides without the need for writers or amendments so that, as with the model ground lease, loans using the model deed restriction can be sold to either GSE. Third, we ask the GSE limit any exceptions to the published selling guide provisions or individual programs, excuse me, or individual programs in order to encourage the use of these standardized documents. The presence of exceptions undermines standardization in the field and limits lenders from broadly lending to borrowers across shared equity programs. Some may consider so much alignment as being detrimental to competition between the GSEs however, we feel that the shared equity market is not large enough as it is to sustain the current level of diversity of products. We have two shared equity models, ground leases and deed restrictions, that are treated differently across two different GSEs that have unaligned underwriting requirements and we feel like this asks too much of lenders. It prevents shared equity lending from being integrated into the normal course of business. Additionally, the aligned product offering should accurately reflect the risk associated with shared equity loans. We ask FHFA to help identify where product offerings can be simplified, and to evaluate whether the shared Equity programs do in fact justify additional underwriting requirements. We do not believe that they do. We are concerned the GSEs are inaccurately assessing the risk of shared equity loans and this is disproportionately affecting lower income houses of color. More details on these recommendations are available in our public comment.

Regarding program certification, once alignment is achieved between the selling guides, we recommend that the GSEs develop and adopt a common program certification process. Our objective here is to have lenders be able to automatically underwrite a loan after checking program certification. As mentioned previously, both GSEs have participated in some form of program certification, although Fannie Mae's engagement has been more robust and has laid the foundation for significant impact in the future. As they reported in their 2022 annual Duty to Serve report, Fannie Mae worked with GSN to integrate the program certification into their systems by making the list available to all lenders and by providing certain incentives. Also mentioned earlier, we greatly appreciate the Enterprise's support in funding national surveys. In the next Duty to Serve period, we ask that both Enterprises continue to partner with us on tracking the scaling growth of the shared equity field. Without this work it is difficult to hold the GSEs through account for setting reasonable and meaningful loan purchase targets. In addition to the recommendations outlined above, we echo the other UMMC members in navigating for the introduction of Target Equity Investments. We believe that underserved markets are greatly benefit from even relatively small targeted investments. And another critically important change is for FHFA to published Duty to Serve and Equitable Housing Finance Evaluation data at an objective level. I'd like to thank FHFA for continuing to run our participatory process to accomplish the objectives in Duty to Serve and we look forward to providing additional detail. Thank you.

TOI ROBERTS: Thank you Mr. Stromberg our next speaker is Mr. Greg Zagorski from the National Council of State Housing Agencies.

GREG ZAGORSKI: Thank you Toi. Thank you for having me speak and thank you to FHFA for continuing to hold these listening sessions as the Enterprises entered their third planning cycle through Duty to Serve. Hi, as again, Greg Zagorski, National Council State Housing Agencies. We represent State Housing Finance agencies, a state chartered public mission entities, NCSHA are partners for the GSEs in fulfilling their Duty to Serve obligations and so, we know that Fannie and Freddie are both currently partnering with FHFA through Duty to Serve not only with housing credit investments but also working on initiatives to support manufactured housing lending and Resident Owned Manufacturing Housing communities, as well as, projects regarding lending to low and moderate income families in rural areas. And you know, we encourage Fannie and Freddie and we hope FHFA will encourage them too to continue looking for opportunities for partnerships of FHFA as you implant your third Duty to Serve cycle. So, the remainder of my remarks are going to focus on the GSEs housing credit investments, which we think would have been one of the most impactful Duty to Serve initiatives. We really do appreciate FHFA back when Duty to Serve was first implemented allowing the GSEs to resume housing credit investments and giving them credit for such investments in rural areas, excuse me for a second. Such permission really couldn't have come in a more opportune time because after the passage of the 2017 tax cut act, there was downward pressure on the price of housing credits and of course housing credits for projects in rural areas they face other challenges in getting support including kind of a lack of investors in those areas and the need to offer to set the rents at a lower price areas. So, it was really critical in having the GSEs enter, it was really helpful and we encourage both of them to continue making such investments a part of their Duty to Serve plans moving forward. So, there are a couple issues that have come up that we really think will strengthen and really think help make these housing credit investments more impactful and one, first off, is the qualified contract issue that LISC, Enterprise and Rob Rozen have done a great job of outlining already but, just to kind of go through it, that qualified contract provision was put into the tax code in 1989 because the housing credit was a development program and they wanted to try to provide investors and lenders in like some certainty in case it worked out and it never really was used very often until 2012, when the housing markets started to boom and some property owners saw it as a chance to really start kind of cashing in and getting to the market rents. It has been pointed out by some others, we've done some analysis and right now we believe about 10,000 affordable apartments are going to come off the market each year by the QC loophole. Now, as it said, the vast majority of FHFA have gone in and they have prevented new credit allocations for being given to those who won't waive their QC rights. We appreciate that but that only applies prospectively, retroactively there's not much you can do. So, there's still those properties out there that have that QC loophole and so we have been trying to do everything we can to make sure that that contract at QC provision is not taken advantage of and so we do ask FHFA to just to take broader perspective prohibiting the GSEs from making housing credit investments in properties where the QC loophole has not been waived, providing the Federal Home Loan Banks for providing funding for such projects. And, when it comes to Duty to Serve rule, we do ask that you know, we don't feel as if Fannie Mae, Freddie Mac should be able to get any Duty to Serve credit for housing credit investments for properties where the QC loophole is still in place. That would really just cut against the whole purpose of the rule which is to support the preservation of affordable housing options, if you have this loophole where after 15 years the affordability requirements can be waived. So, we feel very strongly about that. And, there's one other issue and it’s a little technical but, we feel it's going to impact the GSEs ability to make housing credit investments...

TOI ROBERTS: One minute remaining.

GREG ZAGORSKI: ...thank you very much, which is right now many housing credit investments especially in rural areas, I'm able to call for multi-investor funds where multiple investors will go together on a certain project to kind of spread the risk. Fannie Mae makes a lot of their housing credit investments in rural areas through these funds, we understand Freddie Mac is considering that as well. Well, recently an issue emerged where some other investors participated fund raised concerns that Fannie Mae might be considered what is called the tax exempt controlled entity, and the problem with this is that if there is a tax exempt controlled entity in these funds all the investors lose access to certain tax benefits, so they might not want to participate in a fund if Fannie or Freddie are in there and so, Fannie Mae has had to kind of not been allowed to make some of these investments because of that, and given this you know, they've actually cut back specifically a lot of their housing credit investment goals for the 2023 plan. We have asked Treasury to clarify that Fannie Mae and Freddie Mac are not considered taxes exempt controlled entities, we don't believe that was the purpose. We would urge FHFA to also ask Treasury to get that, issue such clarification so that Fannie and Freddie can continue taking advantage of multi-investor pools to make these critical investments. Thank you very much for the opportunity to speak.

TOI ROBERTS: Thank you Mr. Zagorski. Our next speaker is Ms. Althea Arnold from the Stewards of Affordable Housing for the Future.

ALTHEA ARNOLD: Thank you Toi and hello everyone. My name is Althea Arnold and I'm the Senior Vice President for Policy at Stewards of Affordable Housing for the Future. On behalf of SAHF, thank you FHFA and the Enterprises for this opportunity to participate in a session dedicated to affordable housing preservation. As the Enterprises prepare for their 2025 to 2027 Duty to Serve plans, SAHF is a collaborative of 12 of the largest exemplary multi-state nonprofits. Our members collectively own, operate and manage about a 150,000 affordable rental homes and close to 2,000 properties across the country. Loans purchased by the Enterprises are just one important source of capital that our members use to create and preserve affordable homes. We appreciate this capital but, we also appreciate the role that the Enterprises can play in sparking innovation and best practices among investors on the investment market. Threats to the financial and physical health of an aging housing stock such as the accelerating loss of low-income rentals, a cliff of housing credit properties reaching the end of their 30-year affordability restrictions, the increased use of the qualified contract loophole, and challenges to the right of first refusal, all reinforce the urgent role the Enterprises can and should be playing in addressing affordable housing preservation. In SAHF's comments on the 2022 to 2024 Duty to Serve plans, we highlighted the challenges to nonprofits right of first refusal or ROFR, established in section 42 i7 of the tax code, as one of the most significant threats to the housing credit program and long-term affordability. We were pleased to see Freddie Mac's decision to help preserve nonprofit control by including language in its standard partnership agreements intended to prohibit the limited partner interest from being sold to a party with a history of attempting to frustrate ROFRs and making this language available to all syndicators. We understand that these actions will not put a full stop to ROFR disputes, given the Enterprise is only one of the investors working with nonprofit developers and the language is intended only for new transactions but, this is a welcome and needed signal to the investment market. The Enterprises should consider adopting even stronger language to protect ROFRs and preservation comparable to what several allocating agencies have already done. As one example, given that access to large reserves intended to be held for the benefit of properties have in some instances been a driver behind or the target of disputes around investor exits or exercising ROFR. We urge the Enterprises to make standard language around reserves that clearly indicate that they are intended to remain with the property. As several colleagues on this call have already shared, we also urge FHFA to work with Enterprises and prohibit them from investing in or acquiring loans on properties in which the owner has not agreed to waive their qualified contract and bar the GSEs from acquiring loans on properties where an owner has already taken the property through the QC process. As investors in the space we urge Fannie Mae and Freddie Mac to conduct research and outreach to further identify housing credit properties that are at higher risk of exiting the program and increase their loan purchase targets for 2025 to 2027. We are pleased to be here with the fellow industry partners including those on the Underserved Mortgage Markets Coalition. I just wanted to echo Mark Kudlowitz's previous comments and this is in line with the UMMC but, we urge FHFA to take steps to encourage targeted equity investments in underserved markets.

TOI ROBERTS: One minute remaining.

ALTHEA ARNOLD: Thank you. SAHF strongly supports Enterprises plans to report on sustainability and resiliency as they can be valuable tools for practitioners. We also, thinking beyond incentives, we also encourage the GSEs to look at practices providing a more comprehensive approach, this could include case studies of properties, talking to practitioners and including issues on underwriting. Finally, we urge FHFA to publish its Duty to Serve and Equitable Housing Finance evaluations. Objective level data creates the feedback needed for the strategic planning process to improve the Enterprises business process. We encourage FHFA to publish this evaluative data so this can begin. SAHF appreciates the opportunity to share these comments ahead of the 2025 to 2027 Duty to Serve plans. We look forward to future collaboration and engagement.

TOI ROBERTS: Thank you Ms. Arnold. Our next speaker is Ms. Lesli Gooch from the Manufacturer Housing Institute.

LESLI GOOCH: Thank you to the team from FHFA, Fannie Mae and Freddie Mac and everyone joining today. I'm Lesli Gooch of the Manufactured Housing Institute. MHI is the only National Trade Association that represents every segment of the factory built housing industry. My comments today are focused on the preservation of land lease communities. Discussion about preservation of affordable housing cannot be complete without considering the preservation of land lease communities. There are more than

43,000 land lease communities in the United States with an estimated 4.3 million home sites. Thirty one percent of all the manufactured homes that are produced every year are placed in land lease communities. So FHFA policy should encourage capital investment into these land lease communities and financing support for residents who are seeking to purchase a home within the community, and this would help preserve the most affordable homeownership, most affordable form of home ownership in America. This hybrid homeownership model in land lease manufactured housing communities provides quality affordable housing experience resulting in satisfied residents who choose to remain in these communities long term. MHI research demonstrates that residents of professionally managed land lease manufactured housing communities value their community's extensive offering of amenities and the ongoing investments that are made by the community owner operators. Without FHFA support to preserve these aging communities, many could be at risk of closure, where the land will be used for other likely non-affordable housing purposes. Objective data shows that land rent increases in land lease manufactured home communities across the country today are well below cost increases in other forms of affordable housing. On average, the rent paid by manufactured housing residents in land lease communities, is between 9 and 25% more affordable than market rents for comparable rentals depending on the market. In MHI's 2020 study of residents of manufactured housing communities, the majority of residents said that their rent is competitive or below average compared to other nearby housing options. Other than some outliers, for the most part it has been a very good thing for residents when a new owner purchases an aging community. New owners have the resources to preserve the communities and address long neglected infrastructure problems like, water, sewer, roadways and other important amenities. It benefits the residents when the owners are doing these needed infrastructure upgrades as this is critical for community preservation. For some time now, Enterprise manufactured home community loans have been subject to substantive tenant protections. In fact, the protections in place were originally put forth by MHI as a way to encourage Fannie Mae and Freddie Mac to support a secondary market for personal property loans. The vast majority of community owners already followed these protections regardless of whether they received Enterprise loans, it was the industry norm. Community owners are also governed by local statutes, case law, regulations and private contractual arrangements, all providing for specific protections and responsibilities. I would like to make two essential points with regard to these protections. First, the GSE's pad lease protections cover all of the essential consumer protections that are needed to ensure that a manufactured homeowner can protect their home investment including in situations when they're financially unable to make their rent.

TOI ROBERTS: One minute remaining.

LESLI GOOCH: Second, any expansion or heightening of such tenant pad lease protection would run a serious risk that manufactured home community owners would no longer seek Enterprise financing for communities. This would undermine preservation of older communities that need financing to repair aging infrastructure in order to preserve value of homes in such communities. In conclusion, rather than adopting policies that would have the impact of reducing support for land lease manufactured housing communities we believe the FHFA should lean in to support the preservations of these communities. Further, as I commented yesterday, people seeking homeownership through land lease communities should be supported by ensuring that GSE financing is available to those purchasing homes. With that, I close my presentation and I thank the FHFA for this week's opportunity to present MHI’s views and perspectives about how manufactured housing should be an integral part of each area of the GSE's Duty to Serve plans. Thank you.

TOI ROBERTS: Thank you Ms. Gooch. All right, so our next speaker is Mr. Dan Emmanuel from the National Low Income Housing Coalition.

DAN EMMANUEL: Thanks Toi. I'd like to start by thanking FHFA for inviting the National Low Income Housing Coalition to speak at this listening session. My name is Dan Emmanuel and I'm a senior research analyst at NLIHC. Among other things, my work at the Coalition focuses on preservation research. For those of you may not being familiar with us, NLIHC is a national policy research and advocacy organization. Our goals are to preserve existing federally assisted homes and housing resources, expand the supply of housing for low income renters, and establish housing stability as the primary purpose of Federal Low-Income Housing Policy. One of NLIHC’s long-term projects is the national housing preservation database, which we co-manage with the Public and Affordable Housing Research Corporation. The NHPD is the only national fully deduplicated, address level inventory, a federally assisted rental housing. It's used by researchers, planners and advocates to understand affordable housing preservation risks and other issues facing the federally assisted housing stock. Importantly the NHPD includes properties subsidized by the low-income housing tax credit. In recent years, our research efforts with NHPD have focused heavily on quantifying and characterizing emerging LIHTC preservation challenges, both in terms of direct threats to the stock and data issues that undermine effective planning and research. My comments today will focus specifically on a qualified contract issue in the LIHTC program. First however, I'd like to provide some context on why LIHTC preservation is such an important issue for FHFA to consider. LIHTC properties are home to renters with incomes far below what the program's maximum income eligibility thresholds might suggest. The median household income amongst LIHTC tenants was just $18,200 as of December 31st 2019, and approximately 53% of households in LIHTC properties are no more than 30% of the area median income at the time, which is the lowest income group identified by HUD. HUD's publicly available LIHTC data does not permit an analysis of cost burdens or rental assistance to utilization among LIHTC tenants by income. Even so, in an earlier national sample of LIHTC households, 28% of LIHTC households with incomes at or below

30% of AMI and 11% of those with incomes between 31% and 50% of AMI were severely cost burden, demoting more than half of their income to housing costs. Approximately, 70% of LIHTC households with incomes at or below 30% AMI received some form of additional rental assistance. Among NLIHC households with incomes at or below 30% of AMI who did not receive rental assistance, 58% reported severe housing cost burdens. LIHTC preservation risks, including the QC loophole, must be understood in the context of these tenant data. Although, research from Freddie Mac finds that former LIHTC properties generally remain affordable to households at or below 60% of AMI. This income threshold far exceeds the incomes of the majority of the existing LIHTC tenants. Even a modest rent increase following the LIHTC properties exit from the program has the potential to destabilize renters with such low incomes, particularly those without access to rental assistance. The qualified contract loophole therefore is an acute concern for LIHTC preservation. While some states have taken measures to close this loophole, others have not, and some LIHTC owners are making strategic use of this opportunity. NLIHC in part recently conducted an historical comparison of HUD's LIHTC property database to estimate the loss of units to qualified contracts. We found that over 100,000 units may have been lost to the QC loophole since 1990. Estimates from other organizations suggest we may be losing 10,000 units a year due to the loophole. Accordingly, I strongly urge FHFA to take the following actions being advocated by NLIHC and other organizations. One, prohibit the GSEs from investing LIHTC properties unless the owner has agreed to waive their QC rights. Two, prohibit GSEs from acquiring multi-family loans on LIHTC properties unless the owner has agreed to waive their QC rights. Three, prohibit GSEs from acquiring multi-family loans on properties financed with LIHTC where an owner has successfully taken the property through the QC process. And four, prohibit the Federal Home Loan Banks from providing AHP funds to LIHTC properties where the owner hasn't waived their QC rights. NLIHC strongly supports any further actions that FHFA, by extension the GSEs, can take, correct the use of the qualified loop, contract loophole and ultimately protect low-income renters. Thank you for your time and consideration.

TOI ROBERTS: Thank you Mr. Emmanuel. All right, so we are halfway through today's listening session where we would now take a short 10-minute break. It is now 2:05 well, 2:06. So, I will see you all back here at 2:16.

TOI ROBERTS: Okay, it is now 2:16 p.m. So we'll resume back in continuing on with the remainder of our speakers for today's session. And, so now first up, we now have is Ms. Sadie McKeown from The Community Preservation Corporation. You're muted Ms. McKeown. You want to unmute.

SADIE McKEOWN: Yeah, I'm on, how's that?

TOI ROBERTS: There you are.

SADIE McKEOWN: Okay, thank you Toi, apologies for that. I want to say, thank you to FHFA for inviting The Community Preservation Corporation to provide comments today. My name is Sadie McKeown, I'm the president of CPC. We are one of the largest CDFIs nationally addressing multi financing for multi-family affordable housing, both naturally occurring as well as subsidized affordable housing. CPC has been around for almost 50 years. We've been working with the GSEs since the 90s so, we have a long history of working with Freddie Mac and Fannie Mae and we are very appreciative to the work that they're doing in affordable housing but, we're here today to talk about more that they can be doing and we have some recommendations. Community Preservation Corporation is the majority owner of the CPC's mortgage company. We have two equity partners in our mortgage company also CDFIs, the National Equity Fund, as well as, Cinnaire. We have a national footprint through those two partners. We also work with a variety of other CDFIs as correspondents. We created our mortgage company to provide access to GSE products for CDFIs. We know that Freddie and Fannie have limited licenses on the multi-family side and that CDFIs are not necessarily going to get their own licenses but, we recognize how important the products are in the affordable housing market and we wanted to try and provide access to CDFIs for the GSE products. We ask that Duty to Serve underscore how important work is with CDFIs. We do work that other mortgage banks that hold multi-family licenses don't do. We work with small buildings, we work with small developers, we work in rural communities and we do deals regardless of size or profitability, we do them for the purpose of having an impact in communities. And, having access to the GSEs is really important but we ask that the GSEs prioritize the work that we do, provide appropriate goals to CDFIs consistent with the scale at which we lend but, also in recognition of the impact that we can make. We are an important part of the multi-family ecosystem and we want to be seen as that to the GSEs. To underscore that we would like to request that Duty to Serve include liquidity for CDFIs that reaches far further than the GSEs are willing to reach today. As a practical matter, we can aggregate very small loans which otherwise would not be financeable with GSE’s small loan products because they're too small on a unit basis, the borrowers are too inexperienced and don't clear the Freddie and Fannie liquidity and net worth hurdles but, these are owners, mom and pop owners that own maybe one, two, three properties and are important players in the neighborhoods that we serve and they provide much needed affordable housing in small, naturally occurring properties. And so, we ask that the Duty to Serve include thresholds that are much smaller now for portfolio purchases by the GSEs. So, it's very hard for us to aggregate loan pools in excess of say $25 million and Freddie and Fannie typically don't want to buy loan pools unless they're much larger $100 to $200 million. And so we ask that liquidity could be provided at a much smaller scale that would help us continue to drive small lending in ways that we can't one-off with GSE products currently. The second thing that we really want to underscore that should be a component of Duty to Serve is addressing the climate crisis alongside of the affordability crisis in our country.

TOI ROBERTS: One minute remaining.

SADIE McKEOWN: Decarbonization of housing is very important and right now it's not a component part of Duty to Serve. There are lots of resources that can be leveraged through the IRA and we encourage Freddie Mac and Fannie Mae to reach further than they currently are with their green products to include decarbonization. We feel very strongly that unless the first mortgage markets begin to address decline carbonization as a routine part of their lending process, similar to the way they address radon, asbestos, lead paint and other pollutants, that we won't be able to fully reach the federal goals for a clean energy transition that have been set forth by the Biden Administration. So, we are very focused on decarbonization and encourage the GSEs to address it in the work that they do. Lastly, I just want to say that given the increasing costs of insurance, property insurance for multi-family properties which are impairing affordability and preventing access to capital, we ask that FHFA alongside of Freddie and Fannie, do what they can to convene with the insurance industry to figure out ways to address the ever escalating costs of insurance for properties so that communities are not redlined from an insurance perspective which then creates them as redline from a financing perspective, so we encourage you to address that as well. Thank you again very much Toi and FHFA, we appreciate the opportunity to speak today.

TOI ROBERTS: Thank you Ms. McKeown. And our next speaker is Mr. Benson Roberts from the National Association of Affordable Housing Lenders.

BENSON ROBERTS: Thank you Toi, as far as I know we are not related but I appreciate your involving us in this very important listening session. I represent the National Association of Affordable Housing Lenders. NAAHL is the alliance of major banks, CDFIs, including the Community Preservation Corporation, LISC and Enterprise, as well as others, and as well as some housing finance agencies. Our mission is to expand economic opportunity by financing affordable housing and inclusive neighborhood revitalization. I want to expand on the points made earlier by several others, that Fannie and Freddie should provide debt and equity financing for low-income housing tax credit properties only if the owners agree not to prematurely terminate affordability through the qualified contract process and have not already done so. This policy is fundamental to preserving the affordability of rental housing, so FHFA should build it into its Duty to Serve rules for housing preservation. Tax credit properties that could or previously did prematurely and affordability must not receive recognition as contributing to the preservation of affordable housing. FHFA should also apply this principle beyond the Duty to Serve context because it addresses a basic tenant protection. Since many states already require tax credit applicants to waive the qualified contract provision, the incremental effect of an FHFA policy would apply to properties in the remaining states, as well as, to properties that were financed before state requirements kicked in. This policy would not prevent the GSEs from financing most tax credit properties, rather would screen out bad actors that are not truly committed to long-term affordability. How did we get here? Under the qualified contract provision, a tax credit property owner can terminate affordability after 15 years instead of at least 30 years but at first must give the state one year to find a buyer that can offer a qualified contract to buy the property of the formula price, and that formula price allows investors to recover their initial equity investment plus inflation. Congress enacted this provision in 1989, when it effectively extended the tax credit minimum affordability period from 15 years to 30 years and that was only three years after LIHTC was first enacted. So, the program was still very young and the investor market was still forming. The qualified contract provision was seldom used for many years. Our concern today has arisen because of two dramatic changes since 1989. First, changes in the way tax credit practices have changed and second, because of changes in local housing markets. In 1989, a typical cost of construction was maybe $50,000 per apartment and tax credit equity funded about 30% of that cost so, the qualified contract price owners that states would have to find a successor owner to offer that qualified contract price would pay investors about $15,000 plus inflation, and that amount was very compatible with preserving affordability over the long term. Moreover, many low rent apartments had limited market value at the time, so there is really very little opportunity for owners or successor owners to raise rents if affordability restrictions were lifted.

TOI ROBERTS: One minute remaining.

BENSON ROBERTS: We are in a very different place today. The tax benefits are sufficient to attract tax credit project financing without recovery of capital so the qualified contract provision is unnecessary to attract that capital, and construction costs are commonly now anywhere from say $300,000 to 500,000 per apartment with tax credits contributing perhaps 60% or more of that cost and that means that owners invoking the qualified contract provision would receive $180,000 to $300,000 per apartment plus inflation and that amount is 12 to 20 times the amount expected back in 1989 and it is way too high to preserve affordability. Moreover, rising market rents make it much more possible for owners to reap windfall profits by ending affordability, and that explains why we are prematurely losing affordability on about 10,000 LIHTC apartments annually through the contract, the qualified contract loophole. And now, when the U.S. is facing a severe shortage of affordable housing, we must do everything possible to preserve affordability. So, what began as an exit ramp for investors, has become a loophole and FHFA and the GSE should not facilitate the premature termination of affordability and certainly not under the banner of affordable housing preservation. Thank you.

TOI ROBERTS: Thank you, I'm sorry. I just want to thank Mr. Roberts for his remarks. And I will now introduce the next speaker, Mr. Mark Kresowik from American Council for an Energy Efficient Economy.

MARK KRESOWIK: Thank you Toi, and thank you to FHFA and the Enterprises for your hard efforts to support affordable housing through the Duty to Serve program and for the opportunity to share our perspectives with you all today. I am Mark Kresowik, the Senior Policy Director for the American Council for an Energy Efficient Economy. We are a national nonprofit, research assistance and advocacy organization developing and supporting transformative policies to reduce energy waste and help avoid the worst impacts of climate disruption. With our independent analysis, we aim to build a vibrant and equitable economy, one that uses energy more productively, reduces costs, protects the environment and promotes the health, safety and well-being of everyone. Like some of the others speaking here today, we are also a member of the Underserved Mortgage Markets Coalition, a collection of 29 organizations that work to expand mortgage financing to groups traditionally underserved in the market. Some of the biggest risks to affordable housing preservation and the financial stability of the Enterprises, are those caused by climate disruption at high energy burdens due to burning increasingly expensive fossil fuels and inefficient use of energy. I very much appreciated Ted's reference to our data on household energy burdens in his intro. The gentleman from Freddie Mac's highlighting of their energy efficiency efforts, and Fannie Mae's recent multi-family electrification and decarbonization roadmap. I'd also like to acknowledge FHFA's high marks on series of annual climate risk scorecard published this last week. You are leading the way on these issues amongst federal regulators of the financial system but unfortunately, the risks to affordable housing in the Enterprises are still accelerating. The last few weeks have delivered the hottest days in recorded history. Unhealthy air quality across the nation due to uncontrolled wildfires, destructive floods in the Northeast, and a cascade of insurance company departures from markets experiencing extreme events exacerbated by climate change particularly, Florida and California. Continued worsening conditions will damage and destroy more homes, especially in already underserved communities, wiping out homeowners’ finances and increasing mortgage delinquency rates. As customers flee the increasingly destructive fossil fuel system, energy costs for those who remain behind will rise. According to Fannie Mae, utilities are already the third highest monthly cost for first-time low-income homeowners behind only property taxes and home repairs, and higher energy burdens will similarly threaten financial stability. The solutions to these threats and ultimately the preservation and expansions of affordable housing in this country are interlinked. First, as other federal agencies like HUD and USDA have proposed to do for their portfolios, ensure that all new homes backed by the Enterprises meet minimum building codes for energy efficiency, electrification and climate resilience. Second, require disclosure of both climate risk and energy performance for existing homes backed by the Enterprises. And third, expand access to mortgage financing for energy efficiency and electrification particularly for underserved communities, including through enabling targeted equity investments. The unprecedented level of financial incentives that will roll out through the inflation reduction acts tax credits, the greenhouse gas reduction fund and home energy rebates create an opportunity for the Enterprises to help bolster community development financial institutions as they seek to bridge financing gaps and support rapid deployment of those resources. Affordable housing residents cannot afford to wait any longer for these actions. They are experiencing the harmful impacts of extreme events and energy burdens exacerbated by climate disruption and unaffordable fossil fuels today. FHFA and the Enterprises need to dramatically accelerate actions to disclose and address climate risk and energy performance to keep home ownership within reach for everyone most especially, those in historically marginalized and underserved communities. Thank you very much.

TOI ROBERTS: All right. Thank you Mr. Kresowik. Our next speakers, we have two speakers for our next segment, Mr. Justin Coles and Mr. Terry Scott from Rebuilding Together Tampa Bay. All right do we have Mr. Coles and Mr. Scott ready to give their remarks? Okay, I'll just move on to the next speaker. All right, so our next speaker is Mr. Steven Sharpe of the National Consumer Law Center.

STEVEN SHARPE: Thank you to FHFA and we really appreciate the opportunity to share. My name is Steve Sharpe. I'm a Senior Attorney at the National Consumer Law Center, focusing primarily on single-family mortgage servicing. Though I am, in my previous work, did work on the low-income housing tax credit issues and am encouraged and very motivated by the great conversation on low-income housing tax credit that occurred earlier from my UMMC colleagues. But today, I will not be focusing on that. We'll be focusing instead on single family note sales, both the re-performing loan note sales and the non-performing loan sales that the Enterprises do, and want to focus on some important changes that have happened and some still work to be done. So as it is outlined in NCLC's recent report on note sales, we are concerned that they have the impact of stripping affordability because when notes are sold the foreclosure protections that have been so thoughtfully and impactfully developed by the Enterprises are stripped from those borrowers who then face the purchaser who do generally not have publicly available and clear loss mitigation and foreclosure alternatives for those borrowers. So, we are concerned that that tends to lead toward, you know, just generally reducing affordable housing because it takes affordable loans away from borrowers who desperately need options to avoid foreclosure. And we're concerned also, we shared this in our report, that data showing that note sales actually help borrowers are based on outdated benchmarks and some analysis that we think really no longer applies. So, and we put together a report and we really want to applaud FHFA and the Enterprises for very recently taking steps to ensure more data reporting for re-performing loans to make sure we're not selling, they're not selling, loans that are in forbearance and to improve deferral option, kind of a short, a medium-term option to help borrowers who have regained their ability to make payments do that. So, those have been recent changes in FHFA's fact sheet for note sales and we're also understanding that some of the data analysis and benchmarking is in progress and so we really do want to take this opportunity to applaud both the Enterprises and FHFA for those changes. However, there is more work left to be done and we see kind of four or five options or four or five issues that remain. First, it is really crucial that there is a requirement that servicers exhaust and fully consider loss mitigation prior to sales. We want to make sure especially for the non-performing loans that loans are not entering pools when they should be served by a GSE foreclosure alternatives. We are concerned that there are still our servicers who have not fully complied with options prior to sale and that we really do need something very specific in the fact sheet and then that to ensure that all loans have been exhausted for lost mitigation. The other part of that is, we think a notice to borrowers prior to sale is very important. It will give opportunity for a borrower who thought something was happening to raise their hand to say if foreclosure alternatives are in the middle of being considered or were never offered, that borrower has the opportunity to know prior to the sale that their loan is about to be sold and has an opportunity to raise their hand. And we do think something explicit on pre-foreclosure or pre-sale for foreclosure alternative exhaustion is still crucial and that notice to borrowers are still crucial. The other thing that is important is that, once loans are sold, we believe the current test for what is sufficient foreclosure alternatives for those borrowers which is the current benefit of the borrower test is an insufficient guidepost for making sure that they do have options available after sale. We think that benefit of borrowers is essentially too vague to be meaningful and that we would urge FHFA and the Enterprises to generate some further guard rails, more specific guidance, or at least make require purchasers to make their options publicly available in order to make sure that there are options that are clear and available for borrowers. But we do think improved data on re-performing loans is important. Make sure that that data is not just reported but also, or sorry, provided by purchasers but also reported. And finally, we do think sales should give a preference to housing focused nonprofits and other eligible purchasers that commit to maximizing home ownership preservation outcomes. So, important single family issues for note sale. Again, thanks for the opportunity to share here and for recent guidance and recent improvements, and we look forward to continuing to work with you all. Thank you.

TOI ROBERTS: Thank you Mr. Sharpe. Our next speaker we have is Mr. Willie Fleming from Chicago Anti Eviction Campaign NFP. Do we have…

WILLIE FLEMING: Hello, can you hear me, can you hear me?

TOI ROBERTS: Yes, we can hear you.

WILLIE FLEMING: Hello there.

TOI ROBERTS: Did you want to turn on your video camera?

WILLIE FLEMING: Yes, give me one second. There we are.

TOI ROBERTS: Thank you.

WILLIE FLEMING: Hi there, thank you for having me. My name is Willie Jr Fleming, Executive Director of the Chicago Anti Eviction Campaign and a member of the National Low Income Housing Coalition tenant cohort. I wanted to start off by saying I want to thank FHFA for taking this opportunity and conducting another listening sessions where we hope to address the issues of affordable housing. I like to start off by saying, that the previous administrations had to tackle the issues of foreclosures and evictions since 2014-2013, they were able to come up with great programs. One of them programs particularly being, the Neighborhood Stabilization Program which later became that Neighborhood Stabilization Initiative, and this was done with the collective work of nonprofits community developers and contractors that we sought to address the issues of abandoned properties blighted neighborhoods in our communities. The Chicago Anti Eviction Campaign is a recognized community by both with Fannie Mae and Freddie Mac of foreclosed properties who we believe serve a strong, who we believe gives a strong opportunity for neighborhoods to take control of this affordable housing crisis. We ask that FHFA encourage Fannie Mae and Freddie Mac to strengthen their program, both the Community First program ran by Fannie Mae and the NSI program which is conducted by the National Community Stabilization Trust and has both Fannie and Freddie and bank owned homes in them that were foreclosed. We believe that Fannie and Freddie should dramatically and drastically discount these foreclosed properties again, they should dramatically and drastically discount foreclosed property that they are selling to community buyers. The reason is if Fannie and Freddie or the FHFA expect affordable housing to happen it must take a step back in the area of profitability. The sacrifice that we're asking of landlords, local governments and other agencies must be shared by the federal government. We believe that Fannie Mae and Freddie Mac are both in a unique position by having the opportunity to disposition these properties to community organizations and groups across the country who can then provide affordable housing. Fannie and Freddie have been utilizing outdated valuations and market tools like Zillow to guesstimate the value of the property, not taking into account crime and community, food deserts, closed schools and rising property tax costs. If Fannie and Freddie hope to achieve affordable housing or to become a pioneer in this area again like they did at the NSI and Community First program, to help cities across the country who are seeing a dramatic increase in rental prices and home ownership prices, we believe that Fannie and Freddie again must expand, enhance and take bold steps drastically and dramatically when pricing homes to be sold to community providers, community buyers, community developers and nonprofit who then will provide affordable home ownership and affordable rental mechanism. We asked in the past that Fannie and Freddie and FHFA both encouraged local governments to figure out a way to reduce property taxes infrastructure bills like water bills, streets and sanitation that impact homeowners. We ask that Fannie Mae and Freddie and FHFA encourage local government to sacrifice profit in the areas of property taxes and services so that affordable housing is achievable. And on a federal level again we state, we expect Fannie, Freddie and FHFA to expand and enhance and take bold steps all of these programs around disposition and donation of properties to community nonprofits and community buyers. Thank you.

TOI ROBERTS: Thank you Mr. Fleming. All right and so our next speaker all we have is Ms. Victoria Loonstyn-Baron but I don't believe she is on the call. So, and we do have her down as our last speaker today, so we don't have her and we also did not have others on the call. I just want to say their names again, Ms. Megan Haberle from the National Community Reinvestment Coalition, we have not heard from her, and we did not hear from Mr. Justin Coles and Mr. Terry Scott from Rebuilding Together Tampa Bay. Those folks are not on the call with us right now so, that concludes us hearing from all of our guest speakers today. So, thank you, thank you all of our guest speakers. And, now to give closing remarks I'd like to hand it back over to Marcea Barringer.

MARCEA BARRINGER: Hello again everyone, this is Marcea Barringer. I just wanted to take a moment to thank all of you so much for your participation in today's session. I want to take an opportunity to thank all of our presenters for sharing their comments and to the audience for attending. We really appreciate the diversity of views that we heard expressed today on the affordable housing preservation market. Certainly, we heard a lot about the qualified contact and right of first refusal issues. We also were privileged to hear comments on single-family distressed properties and foreclosed properties on energy efficiency and on shared equities. So, thanks to all of you for sharing your views, we will take all of the remarks that we heard today as well as any comments posted on FHFA.gov into consideration. I would ask all of you to think about submitting written comments on FHFA.gov whether you were a speaker today or not. Also, you are very welcome to check back in the coming days where you'll find videos and the transcripts from all three of the listening sessions on Duty to Serve that we held this week. We look forward to continued collaboration with all of you and I will turn things back over to Toi.

TOI ROBERTS: Thank you Marcea and now that concludes today's session. Thank you all again, to all of our guest speakers and to all of you who joined us today in listening in on the remarks from our guest speakers. All comments will be posted on our website soon just as Marcea has said. And, remember you can also submit written comments about the Enterprise's affordable housing preservation market activities on our Duty to Serve website at www.FHFA.gov/dts, and we will be accepting written comments through July 31st. All right, so thank you and that concludes the session. Thank you.