TOI ROBERTS: Hello and welcome to the Federal Housing Finance Agency's 2023 Duty to Serve Market public listening sessions. I am Toi Roberts, a member of the Duty to Serve Markets team, and I will be emceeing today’s listening session, and today's session 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 rural housing market. But before we get started, I would like to first introduce you to the lead of our Duty to Serve Markets team, Supervisory Policy Analyst, Ms. Marcea Barringer.

MARCEA BARRINGER: Good afternoon everyone. As Toi said, I'm Marcea Barringer and I'm the team lead and a Supervisory Policy Analyst for the Duty to Serve program here at FHFA. It's my pleasure to welcome all of you to this virtual listening session on the rural housing market. As Toi said, this is the first of three listening sessions on the Duty to Serve underserved markets that we're holding this week. It's also my pleasure to introduce Naa Awaa Tagoe who will be providing our opening remarks. Naa Awaa is Deputy Director of Housing Mission and Goals at FHFA. She is responsible for FHFA policy development and analysis, oversight of Housing and Regulatory policy, oversight of the mission and goals of the Enterprises, as well as, the Housing Finance and Community Development mission of the Federal Home Loan Banks. In support of FHFA's mission and the Director's responsibilities as a member of the Federal Housing Finance Oversight Board, the Financial Stability Oversight Board, and the Financial Stability Oversight Council, Naa Awaa also oversees and coordinates FHFA activities including data analysis, market surveillance, systemic risk monitoring and analysis affecting housing markets and financial markets. Among other offices, Naa Awaa supervises the Office of Housing and Community Investment where oversight of the Enterprises Duty to Serve and Housing Goals are housed. And, now I'll turn things over to Naa Awaa.

DEPUTY DIRECTOR TAGOE: Thanks Marcea, I really appreciate the introduction. And, good afternoon to everybody and welcome. Thank you Toi as well for getting us started today and really thanks to all of you for your participation. As you know, FHFA's Duty to Serve program is one of our most important responsibilities and we just couldn't do it without input from, you know, stakeholders like all of you. As Toi and Marcea both mentioned, you know, today's topic is the rural markets. We do have a couple more listening sessions this week, tomorrow on manufactured housing, on Wednesday on affordable housing preservation. But, turning our focus to rural, some of you may know that one quarter of homes in the U.S. are in rural areas and in the last year rural areas experienced a second year of modest gains in population with more than half of all rural counties recording more people moving in than moving out. Rural areas also experienced the largest increase in homelessness during the pandemic and almost 40% of rural renters are spending more than 30% of their income on housing and so there's a growing need for high quality affordable rental options in rural areas. And you know while home ownership rates in rural areas tend to be higher, we do know that the lack of access to credit and financial services continue to be key barriers for attaining home ownership for many in rural communities. Now, Fannie Mae and Freddie Mac are working to fulfill the targets that they developed in their Duty to Serve plans for 2022 through

2024. And those targets and strategies are comprehensive, and they really build on lessons learned and progress made since their Duty to Serve program was started in in 2018. And, here at FHFA we're evaluating each Enterprise's Duty to Serve performance for 2022 and coordinating with them as they execute their plans for 2023, it is in what is really a challenging market. At the same time, along with Enterprises we're gearing up for the submission of their Duty to Serve plans for 2025-2027, and you know that's really where this week's listening sessions play an important role. So FHFA, along with Fannie and Freddie, we really need to hear from stakeholders like you about what current activities in the Duty to Serve plans should be continued for the 2025 to 2027 plan cycle, what new activities they should Undertake, and which critical activities should be eligible for Duty to Serve extra credit. Now, there are many opportunities for Fannie and Freddie to work to further facilitate a secondary Housing Finance Market in rural areas through their Duty to Serve programs, including support for you know Native American housing in tribal areas, housing for agricultural workers, mortgage lending by small financial institutions, financing of small rental properties, and support for affordable housing in the lower Mississippi Delta, middle Appalachia, the Colonias, and counties across the country that are experiencing persistent poverty. And while the challenges are significant, we've been privileged to get to know remarkable leaders working in the rural housing field, including our speakers today, who've come up with creative solutions to tackle these challenges and suggestions on how Fannie and Freddie can support their efforts. And we also know that Fannie and Freddie have facilitated liquidity in the rural housing market since before the inception of the Duty to Serve programs in 2018, and in a few minutes each will tell you more you know about what they've done to address the needs of the rural housing market through their Duty to Serve programs to date and what they plan to do in the future. So, on behalf of Director Thompson and our entire team, I want to thank you again for joining us, I encourage you to attend the next two sessions of this listening event where we'll discuss again manufactured housing and then affordable housing preservation, because they're just as vital to the Duty to Serve initiative as the issues we'll discuss with you today. Thank you again and I'll turn things back over to Toi.

TOI ROBERTS: Thank you Deputy Director Tagoe. All right so, 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 Enterprises' 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 in 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 would 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, and so we do have a great lineup of speakers today. We have, we will hear from 12 guest speakers and midway through, we will have a short 10-minute break. Each speaker will have up to six minutes to speak and we will try our best to stay on schedule and ask that everyone speaking help us do so as well. I will be chiming in to give each speaker 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 your time to speak. We also ask that all speakers be prepared to turn on your video cameras during your speaking segments. Finally, as was mentioned earlier, today's listening 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. Okay, so now, before we begin hearing from our guest speakers, each Enterprise will speak briefly about today's listening session on the rural housing market, and first up we will hear from Fannie Mae. And speaking from the Fannie Mae Duty to Serve team is, Ms. Kristin Axtell.

KRISTIN AXTELL: Thank you. We can proceed to the next slide, thank you. Good afternoon. My name is Kristin Axtell and I work on the Engagement and Impact team at Fannie Mae supporting Duty to Serve. I'd like to start with a thank you to Director Thompson and FHFA for hosting this session and the opportunity for Fannie Mae to participate, as well as, a thank you to all the participants for their contributions today. Next, I'll discuss our approach to planning for 2025 to 2027, as well as some key learnings and challenges we're working through in the rural market. So, the 2025 to 2027 Duty to Serve plan cycle, the team has taken an all hands on deck approach to plan writing that captures the inside of our customers, business teams, industry partners and advocates. We are using this feedback to identify what's working, what's not working, and other opportunities to explore in support of sustainable affordable housing. 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 and are uniquely positioned to advise on solutions. During these sessions we'll be listening intently for your honest feedback, as well as your vision for the future. We look forward to working with you hearing your insight and incorporating your ideas in the next installment of the Duty to Serve plan. Now for some key learnings. While we saw loan purchases decline year over year in the rural single family purchase money mortgage market, this was lower than the broader single-family purchase money mortgage market year-over-year, and is indicative of a resilient market and effective lender engagement and outreach. Through a targeted analysis, we determined that purchase money mortgage volume from, excuse me, small financial institutions otherwise known as SFIs disproportionately impacted by market headwinds due to intensive competition and crowding out by non-SFIs. Feedback from SFI originators and aggregators indicated a need for more down payment assistance funds or other means of supporting credit worthy borrowers with limited savings. Through our engagements with Native CDFIs and sponsored technical assistance through industry partners, we have been able to identify additional opportunities for lending partnerships in our NACLI program. Expansion of our geographic outreach has allowed us to engage with a diverse set of Native communities and better understand the nuances of lending in each. Our work to evaluate the feasibility of an investment in a CDFI revealed much about the need for low-cost, flexible capital among both CDFIs and Native CDFIs to preserve affordability in their products without constraining mission-driven activities so that these institutions can serve their markets effectively. Through our work in providing technical assistance related to multi-family housing for high needs rural populations, we discovered that intensive and high-touch TA can result in both Native American and Farm Worker Housing projects being funded. Now for the challenges. There has been notable impact to loan purchase volume from SFIs due to competition for single-family purchase money mortgages the rising rate environment and affordable housing supply challenges. To address this we are evaluating creative strategies to target SFIs more directly and exploring how we can support some of the resource needs these institutions have highlighted during our engagements. In the Native lending space, the most immediate challenge to financing more loans on tribal land is establishing more Memoranda of Understanding, otherwise known as MOUs, between more tribes and Fannie Mae. While there are such, several MOUs in place today, we continue to conduct significant tribal outreach and engagement in an effort to expand this list and thereby access to conventional lending products. In addition to having MOUs in place, the participation of seller servicers in the NACLI program also requires thorough engagement and education about the opportunities within NACLI. In high needs rural regions and small rural multi-family lending, we remain engaged with just lenders on the state of the current market and are pleased to see that year-to-date loan volumes and remaining 2023 pipelines are healthy in spite of a challenging lending environment. That concludes our opening remarks. I just like to say thank you again for the opportunity to participate in today's listening session, and thank you to all of today's participants for their valuable feedback.

TOI ROBERTS: Thank you Kristin. Now we will hear from Freddie Mac, and speaking from the Freddie Mac Duty to Serve team is Mr. Mike Morosi-Brown and Ms. Catherine Houlihan.

MIKE MOROSI-BROWN: Well, thank you, good afternoon. As mentioned, I'm Michael Morosi-Brown and I'm with Freddie Mac's Multi-family Mission Policy and Strategy team, and we are fortunate to be joined today by market participants and others with deep expertise in rural markets. As always, we appreciate your feedback your collaboration and work which makes a difference for people and communities across the country. I'd also like to extend our appreciation for the team at FHFA, which offers not just oversight but 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 and we've expanded into others and we've had important successes thanks in many ways to the willingness of stakeholders to share their insights with us. Through our work we've deepened our knowledge of what it takes to better serve underserved markets, and my colleague Catherine Houlihan from our Single Family Duty to Serve team can go into more detail about that, Catherine.

CATHERINE HOULIHAN: Thank you Mike, and thank you everyone for being on the call and for FHFA for inviting us to be here. First, although we know the importance of collaborating across the ecosystem to help move housing forward, our work under Duty to Serve has put an exclamation point on it. Progress requires strong relationships, deep expertise and patience. Related to that no single solution can transform the market. Instead, it comes about through incremental change plus outreach and education to maximize the benefits. We also learned that additional tailoring sometimes is needed to create relevant solutions for certain rural populations and lenders. Also, when market conditions turn as they have in the past year, rural and underserved areas feel the consequences. It becomes more difficult to transact business and the relationships and expertise we talked about earlier become even more important. Finally, we've made progress but there is more to do. This year, we've worked hard to maintain our presence in the market, locate transactions that align with our mission and deliver on our commitments. Michael, I'll hand it back over to you to wrap up.

MIKE MOROSI-BROWN: Well, thank you for that. We again appreciate the opportunity to learn from you today and look forward to your constructive feedback which we will consider as we work to develop our next Duty to Serve plan. Your input and support are critical to ensuring that we build on our progress during the next plan cycle. Thank you very much.

TOI ROBERTS: All right, thank you Mike and Catherine. Looks like we are running way ahead of schedule, so let's just go right into it. We have, now our, it's time to hear from our stakeholder guest speakers and so first up is, sorry, Ms. Lesli Gooch from the Manufactured Housing Institute.

LESLI GOOCH: Thank you Toi. Thank you to the team from FHFA and Fannie Mae and Freddie Mac and everyone who's joining today's listening session. My name is Lesli Gooch, I'm the CEO of the Manufactured Housing Institute. We are the only National Trade Association that represents every segment of the factory-built housing industry. Our members include home builders, suppliers, retail sellers, lenders, installers, community owners, community operators and others who serve the industry. Our members are responsible for close to 85% of the manufactured homes that are produced every year. In 2022 our industry produced 112,000 homes and this accounted for over 11% of all new single-family home starts and 7% of total housing starts. Manufactured housing provides an affordable form of home ownership for almost 22 million people. Nationwide we offer value to our consumers because of technological advancements and cost savings that are associated with the factory-built process and because of the efficiencies that come with the Federal Building Code. Manufactured housing has a particularly important role in facilitating affordable home ownership in rural communities. Manufactured housing represents 6.3% of the nation's total housing stock, but in rural areas manufactured housing actually represents about 14% of the housing stock. Further 5 of the top 10 states that lead in manufactured housing shipments have at least a 33% rural population and at least a quarter of the population lives in rural areas in 8 out of the 10 top shipment states for manufactured housing. Conditions in the home buying market are pushing consumers to explore options outside of population dense urban areas and the top two states for manufactured housing shipments were also the leading states for domestic migration in 2021. With respect to Duty to Serve MHI believes that the U.S. Housing Finance system must do more to support homeownership through manufactured housing. In reviewing the Enterprises rural Duty to Serve plans for 2022 through 2024, MHI appreciates some specialized areas of focus such as CDFIs, the low-income housing tax credit, multi-family mortgage credit and the research and symposiums that are being done about how to do even more in rural areas. However, the overriding focus on Rural Duty to Serve has and should continue to be, purchasing single-family loans in rural areas which inevitably involves a focus on the purchase of manufactured home loans. With respect to that metric we support the 2022 to 24 Duty to Serve plans boost and targets for the purchase of rural single-family home loans. The greatest liquidity need is in personal property manufactured home loans. This is because Fannie Mae and Freddie Mac have not purchased personal property loans in 15 years. Fannie Mae and Freddie Mac have for many years, under Duty to Serve promise to reserve the purchase of personal property loans but so far that has not happened. Fannie and Freddie continue to also have an important role in purchasing real property manufactured home loans and we appreciate that both Enterprises have made critical updates to appraisal guidance for the cross mod home which provides additional liquidity for those homes like the ones behind me that have features that make them indistinguishable from site-built homes. However the Enterprises continue to charge a 50 basis point loan level price adjustment on real property manufactured loans. We would ask that the Enterprises eliminate that fee. I will expand on my recommendations during the Duty to Serve manufactured housing session that will take place tomorrow but in conclusion, MHI members sincerely appreciate the work that has gone into the Duty to Serve activities of the GSEs and we stand ready to help and support them 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 home ownership opportunities but also offer an alternative to consumers who are hurt by unaffordable rents or the shortage of adequate housing. Manufactured… I'm sorry, oh, well I just had one other sentence Toi. Manufactured housing is critical to increasing the availability of affordable housing in America we look forward to our continued engagement on this issue. Thank you for the opportunity to speak.

TOI ROBERTS: Thank you Ms. Gooch. All right so for our next speaker, our next speaker is Mr. Jim Gray from the Lincoln Institute of Land Policy.

JIM GRAY: Thank you Toi and thanks to FHFA, Fannie and Freddie. I'm Jim Gray, a senior fellow at the Lincoln Institute of Land Policy. We're an over 75 year old foundation working on all kinds of issues that pertain to how the world uses our land and water resources for the benefit of all. We convene the underserved mortgage markets coalition a collection of 29 affordable housing organizations that work to expand mortgage financing to groups that are traditionally underserved in the market. My remarks today are only on behalf of the Lincoln Institute, I'm not speaking for our coalition partners. In general, we view the Duty to Serve as well as the Equitable Housing Finance plans as central to expanding the mortgage market because they represent opportunities to change the business models of Fannie and Freddie. Federally insured banks are migrating from mortgage origination and from the conduit channel, this hugely impacts the mortgage market and has begun to dilute the effectiveness of the Community Reinvestment Act. The non-federally insured independent mortgage lenders moving into this market rely as much or more on Fannie and Freddie as the more heavily regulated banks they are replacing. The net impact is that Fannie and Freddie have even more influence on who has access to mortgage credit relative to the CRA. In January of 22, shortly after the initial plans from the last round were rejected by FHFA, the underserved mortgage markets coalition produced a blueprint outlining our main recommendations for creating an impactful Duty to Serve plan. For the rural housing portion of the plans, we advocated two main priorities. First, increased loan purchases in section 515 and second, creating flexible loan products to serve LMI borrowers in high needs rural regions. Fannie included 515 in its revised plan, which we appreciate. We continue to think that greater attention to the 515 program in creating flexible loan products probably leveraging CDFIs like, cdcb and FAHE should be strongly considered. Some of the specifics we recommend in a CDFI loan product include one, exceptions from income limits in high needs rural regions and persistent poverty areas two, credit exceptions for low and or non-conforming credit three, institute a 4% deferred or repayable loan to cover closing costs after the first lien is paid four, increase the seller concession amount from 3% to 6% and five, eliminate the limit on CLTV given that FHFA doesn't have a limit like that. And then in addition to the 515 and the CDFI loan product we now add prioritizing Native American housing and increasing investments in rural LIHTCLIHTC equity. Specifically on rural LIHTCLIHTC equity, we strongly encourage both companies to adopt multi-investor fund approaches since this is the only practical way to do the smaller rural multi-family deals and LIHTC equity is harder to access through CRA and, so Fannie and Freddie are really critical for providing this this housing in rural areas. We encourage FHFA to work with Treasury to make sure that Fannie and Freddie continue to get accelerated depreciation and other favorable tax treatment for multi-investor funds, and particularly Freddie, we encourage you to start using multi-investor funds. Two other issues we've raised that I'll quickly re-emphasize, first, one of the most impactful changes would be for FHFA to permit targeted equity investments. Underserved markets would massively benefit from targeted equity investments particularly rural communities. Finally, publishing Duty to Serve and also EHF evaluation data at a goal level is central to the success of this program because that is how we can get to where the people on the outside can help Fannie and Freddie change their business models to reach these markets. Publishing all the evaluative data that FHFA already has would vastly improve our ability to monitor the success of DTS and EHF, we encourage FHFA to change its practice to promptly release evaluative information at the objective level going forward. Thank you for the opportunity to comment.

TOI ROBERTS: Thank you Jim. All right, okay and so for our next speaker, we have Mr. John Wiechmann from the Midwest Housing Equity Group.

JOHN WIECHMANN: Hello, thank you. I appreciate the opportunity to present at today's listening session. My name is John Wiechmann, I'm the CEO of Midwest Housing Equity Group. Midwest Housing, we're a Nebraska non-profit Corporation. We're formed in 1993 and our mission is to change lives for a better tomorrow. We do that by promoting the development and sustainability of quality affordable housing. More specifically, we raise private sector equity capital mostly from banks, insurance companies and the Enterprises to invest into affordable housing developments throughout the Midwest. All those utilize the federal Low-income Housing Tax Credit. We're headquartered in Omaha, Nebraska but we also have offices in Topeka, Kansas, Des Moines, Iowa, Oklahoma City, Oklahoma, Sioux Falls, South Dakota and Denver Colorado. We also invest in Minnesota, Missouri, Arkansas, Montana, Wyoming, Idaho, North Dakota and Texas, a pretty rural footprint for the most part. Since inception, we've raised about $3 billion of capital and helped create just over 24,000 units of quality rental housing. Importantly for today, what I think is relevant, we've invested about $1.5 billion into communities of 50,000 or fewer people that's helped create right around 12,000 quality rental homes in rural America. Across our entire portfolio, the average development size is just under 30 units. Many of those are 6 unit, 10 unit and 12 unit developments. Our whole existence was kind of predicated on serving underserved markets throughout the Midwest. The needs of rural Midwest are many, as it relates to housing, in our case affordable rental housing, there is great need for both preservation and new construction. As I'm sure you've heard from USDA's Rural Housing Services, its entire portfolio pretty much is in need of meaningful rehab. Over the past couple years, we've been proud to partner with them on about $100 million of investment to help preserve those properties and bring them up to modern day standards. But at the same time, those markets also need new development. Let's give you an example, so in Nebraska 50% of our housing stock, available housing stock, was built prior to 1960. So maybe that's not a long time for humans, but for a wood frame home that's a pretty long time, and of course our family needs have changed a lot in the 60 plus years since those were built. So we also put some money into new developments. So anyway what does that all have to do with our session today? Well, the Enterprise's participation in the LIHTC housing market is critically important. In our case we primarily dealt with Fannie Mae. Fannie is definitely changing lives for a better tomorrow, helping us execute on the mission. The dollars it’s committed since 2018 have had a real big impact and we need that to continue, absolutely. So as we look to the future involvement of the Enterprises and the rural affordable housing markets, I offer you two points for consideration. First, we need the Enterprises participating in the multi-investor LIHTC funds that serve Rural America. At present, and I might be wrong, I'm not stating this unequivocally, but it appears to us that neither entity is doing so. The LIHTC program is the largest affordable housing preservation and development program for these small communities but it needs that investment capital to function properly. These are small deals right, they're in small towns. We don't need a 100 units in a town of 5,000 people. What that means is the deals need less equity, they're smaller, really less than $7 million, a lot of times less than 5, and that can make it challenging to invest be a proprietary fund execution. In addition the large money center banks generally don't invest in these markets because they don't have any community reinvestment act needs in these towns. Presently, we understand that the tax-exempt controlled entity issue has resulted in Fannie Mae's ceasing its multi-investor fund activity at the end of 2022. We understand that it's requested a modification for its 2023 Duty to Serve plans and goals, and while the 2023 modification is less than ideal, we realize that the one-time change is reasonable due to the material impact of Fannie’s business model caused by the tax-exempt controlled entity issue. However, any additional modifications beyond this year to the Enterprise's LIHTC rural housing investment goals will only exacerbate the rural housing crisis. I can't state that enough. We're hopeful the Treasury will issue the necessary guidance soon to avoid a repeat of request of 2024. And I do note that 20 Senators, both Republicans and Democrats, sent a letter to Treasury Secretary Yellen, asking Treasury to clarify the Enterprises are not taxes and controlled entities. We encourage FHFA to also weigh in on the issue and I believe you have, and we appreciate that. Second, assuming the TECE issue is resolved, I recommend an increase to the Enterprise's LIHTC investment authority. Currently capped in $850 million annually, I believe an increase of $150 million each targeted just to rural America would be incredibly helpful in addressing the aforementioned housing needs of the communities we serve. That's an additional $300 million a year just to rural America. Targeted communities that most large money center banks don't focus on, as we said because they don't have any CRA needs. You may ask, is this really necessary? I think it is, let me give you a current policy situation that is probably going to disrupt the market, the LIHTC market. The Fed, the OCC and the FDIC are finalizing their CRA regulatory rewrite. Financial institutions that are regulated by those entities buy 85% of the LIHTC nationally has drafted that rewrite eliminated the investment test. Most banks satisfy their investment test by investing in LIHTC. If the test is eliminated it is not clear that banks will continue as market participants in the LIHTC space and certainly not at the same scale. Increasing the GSEs’ LIHTC investment authority by $150 million targeted to rural America, allows FHFA to provide stability to the affordable rural housing market that seems pretty well aligned with its mission and purpose. So, to sum it up, two things, let's get the tax-exempt controlled entity issue resolved and get the Enterprises back invested into multi-investor funds that serve rural communities, and let's increase the Enterprises LIHTC authority by $150 million each targeted to rural America. Thank you all for letting me present today, I always appreciate you listening to me, and especially you taking consideration of my suggestions. Thanks a bunch.

TOI ROBERTS: Thank you Mr. Wiechmann. Okay, so for our next speaker we will hear from Mr. Jonathan Harwitz from the Housing Assistance Council.

JONATHAN HARWITZ: Thank you, HAC appreciates the opportunity to comment on the impact of Duty to Serve in rural high needs communities. I'm Jonathan Harwitz, HAC’s Director of Public Policy. HAC is a national rural housing intermediary. We're a CDFI, a technical assistance provider and a research and policy hub. Ensuring that persistently poor rural communities have equitable access to our nation's housing finance system is core to our mission and we've been deeply involved in supporting the Duty to Serve plans since its creation. In brief, HAC would like to focus our comments on the importance of maintaining USDA 515 preservation as a core goal of the rural DTS plans, permitting targeted Equity Investments and CDFIs using and further refining the new Colonia census tract definition and lastly, meeting rural LIHTC equity investment goals. To start with Section 515, multi-family rental units financed by USDA through the 515 program are really the linchpin of affordable housing in many rural communities with more than 87% of all counties having at least one USDA multi-family property housing an extremely economically vulnerable population. Today there are nearly 13,000 515 rental properties providing around 400,000 affordable homes to families and individuals across rural America. However, due to Federal funding cuts no new section 515 housing has been developed in over a decade, and even more troubling the existing properties are increasingly losing their affordability provisions because once the mortgage on the property matures the units lose their rental subsidy and thus their affordability. The Enterprises have invested years of work to reach subordination agreements with USDA to allow for 515 purchases as part of their Duty to Serve goals. These subordination agreements have been in place for over a year but neither Enterprise has made any 515 purchases in the current plan cycle. Furthermore, both

Enterprises have at various times proposed removing their already extremely modest section 515 purchase goals from their plans. Section 515 preservation deals are complex and time consuming. HAC has experienced these challenges firsthand in our preservation work, but the preservation of 515 units is absolutely critical to rural communities and must remain a pillar of the Duty to Serve work. Both Enterprises have only committed to a relatively small number of section 515 purchases and we encourage them to reach those targets in 2023. Second, equity investments in CDFIs permitting such targeted equity investments in CDFIs is in HAC’s opinion the single most impactful action that FHFA could currently take to improve Duty to Serve outcomes. It would allow community-based non-profit lenders to bring the power of the enterprises to bear on markets in which little or no mortgage activity currently occurs. Fannie Mae has included a goal around this topic in their plan and we really applaud them for that. More broadly targeted equity investments in CDFIs that are already lending in the in the rural manufactured housing and affordable housing preservation spaces would significantly improve liquidity and the distribution of investment capital for all the Duty to Serve underserved markets, for example targeted equity investments from the Enterprises could have a significant impact in reversing USDA's 515 preservation crisis by providing the capital for CDFIs to make preservation loans. Colonias census tract definition, HAC supports FHFA's new definition of Colonias census tracts to target efforts by the Enterprise to meet the credit needs of these high poverty rural areas this census tract model is based on Colonia’s investment areas a concept developed by HAC for use by Fannie Mae and meeting its Duty to Serve goals. HAC recommends exploring providing greater way to do Duty to Serve activities in Colonia census tracts in rural areas than to those in urban or suburban places because rural tracks have greater needs. Finally, as mentioned earlier by others, the rural LIHTC equity investments the Enterprise return to the LIHTC market as part of Duty to Serve has the power to greatly boost LIHTC effectiveness in rural areas. However, both Enterprises need to commit to more ambitious rural LIHTC equity Investments. Freddie Mac proposes to make only seven rural LIHTC equity investments in 2023 and Fannie Mae has requested a modification to decrease their rural LIHTC equity investment goals substantially. The need for affordable housing in rural communities has not changed since the current Duty to Serve plans were approved, in fact in 2021 the FHFA recognized the value of the Enterprises investment in LIHTCs when it raised the limit on those investments from $500 million to $850 million annually, thus HAC opposes Fannie Mae's request to decrease their rural LIHTC investment goal. While we understand as other speakers have mentioned that the Enterprises are waiting for clarification from Treasury on whether they are considered tax-exempt controlled entities under the IR, the Internal Revenue code, Fannie's retreat from the rural LIHTC market is already having a negative impact on rural areas. HAC has called on Treasury to clarify that the Enterprises are not TECEs and we hope a clarification will be made in a timely manner, but in the meantime the Enterprises should continue to be held to the goals they set forth for rural LIHTC equity investments. Thank you for your time and consideration of these comments. We will be submitting written comments on these topics as well. We greatly value our partnership and look forward to continuing to work with FHFA and the Enterprises to address these important challenges.

TOI ROBERTS: All right, thank you Mr. Harwitz. The next speaker we have on the agenda has not connected to the call yet so we're going to go and move on to the next speaker and circle back, and the next speaker now would be Mr. David Castillo from the Native Community Capital.

DAVID CASTILLO: Sorry, thanks. Okay, is my audio okay?

TOI ROBERTS: Yep.

DAVID CASTILLO: Thanks so much. First, I'd like to thank Director Thompson, Ms. Barringer, all the staff at FHFA and my colleagues and their innovative suggestions for this opportunity to address how we together can ensure that Duty to Serve does not become a dereliction of duty when it comes to banks offering homeownership opportunities on tribal trust lands. Last year around this time I offered comments in this forum and at that time I mentioned that I've been working on this specific issue of access to capital and mortgage lending in the Indian country my entire career and I think we can all agree that we have much more work yet to do, an improved Duty to Serve initiative must be a vital part of it. Unfortunately, since last year, very little has changed although much has been promised. Certainly Freddie Mac's recent announcement of its HeritageOne product and proposed loan production, excuse me, loan purchase goals of up to 50 in 2024 is new. The rollout wasn't exactly smooth however, in one breath, Freddie representatives claim that there are Native CDFIs approved to do business with Freddie but they weren't able to name even one, and in the next breath, they stated that a native CDFI should be originating 200 loans annually and should have served first as a broker then a corresponder, correspondent lender, and then finally a seller servicer, suggesting that the compliance requirements are too heavy for Native CDFIs. The suggestion was to find a lender or an HFA that has an existing seller servicer agreement with Freddie, and if there were lenders serving Indian country in the first place, that suggestion would be obvious but, however, the fact that banks will not serve tribes is exactly the problem we're working to resolve and the solution is, Native CDFIs originating loans on tribal trust lands. We've made this more convoluted than it needs to be, the answer is to let Natives lead and let Natives lend. It turns out that solution isn't as novel as our detractors would suggest. The solution is to return to community banking, where the lender knows its clients, understands the local environment and literally the local language. It's not working to advance the interests of some distant shareholder, it is committing to the local stakeholder, the community and the families that make up the fabric of Indian country. For now, Freddie's production goals remained much better than what its big sister Fannie has offered, which is exactly zero. Fannie nevertheless made overtures over the last year to Native CDFIs suggesting an effort to offer some form of targeted equity investment had been prioritized, only to learn that their efforts were foiled by its regulator due to the macroeconomic environment as well as safety and soundness concerns. And so, as we celebrate the launch of Freddie's HeritageOne product, let us not forget that Fannie has had its Native American conventional lending initiative for years now and the purchase of new mortgage loans originated on tribal trust lands remains non-existent. So, to my friends and colleagues in the Indian country, my message is to be wary of empty promises, the lesson we should know all too well by now. That said, I do wonder what CRA reform may do to move the needle. Nevertheless, it's curious that Fannie seems content offering contracts to non-Native consultants to scour the market for opportunities to provide remedial technical assistance efforts in hopes of developing a relationship that may lead to additional work necessary to build a requisite organizational and administrative capacity of tribes and Native CDFIs as suggested at Freddie's recent workshop. It's curious that banks and GSEs are willing to bear the cost of, for example, a $3.7 billion fine for illegal lending practices and similar costs of conservatorship. They are willing to consider those fines and corrective actions simply as a cost of doing business rather than to direct the resources necessary to help level the playing field for Native Americans on tribal trust lands. My prediction is that we will be here again in July of 2024 and neither Fannie nor Freddie will have made any appreciable progress in offering a pathway for loans originated on tribal trust lands to the secondary market. If banks won't or can't do what is necessary to address the dire need for home ownership opportunities on tribal trust lands, I propose next year we take this burden off their hands. The solution again, is to let Natives lead and let Natives lend. I propose that for 2025-2027, FHFA imposed a $100 million fine each on Freddie and Fannie to be paid as seed funding for a Native-led CDFI or perhaps a Native owned bank to establish a secondary market alternative for mortgage loans originated on tribal trust lands. Those funds could be made available only if tribes committed some nominal matching equity investment. Ultimately, even that sum is just a starting point. A $3.7 million fine may be more appropriate and I defer to the regulator and the administration on that point. Bottom line, mortgage lending is a mature capital intensive endeavor that must move at the speed of business. As I've stated before, we do not need banks to do work that we can do ourselves but, the plain fact is that we need serious, significant and sustained investment to make up for literally centuries of active exploitation by the U.S. government, and more recently active neglect otherwise known as modern redlining by the private sector. Thank you for your attention and your assistance to help us improve implementation Duty to Serve provisions as related to Native America, and as always, stand ready to assist in any additional way you may see fit. Thank you very much.

TOI ROBERTS: Thank you Mr. Castillo. All right, so that now leaves us halfway through this session so we'll go ahead and break early. It's 1:50 right now so, we'll come back and see you here at 2 o'clock.

[BREAK]

TOI ROBERTS: All right, it is now 2 o'clock and now time for us to complete the remainder of the session with our second half of guest speakers, and first up we will now hear from Dr. Daniel Elkin from Come Dream Come Build.

DR. DANIEL ELKIN: Thank you. Hello, my name is Dr. Daniel Elkin, I'm the Director of Policy at Come Dream Come

Build, CDCB in Brownsville Texas. CDCB is one of the largest developers of affordable housing in Texas serving an almost exclusively Latino client base and persistent poverty communities in Colonias and rural areas along the U.S. Mexico border. Our CDFI, the Rio Grande Valley multibank is a member of the federal Home Loan Bank of Dallas and we are a seller servicer for both Fannie and Freddie as well as a member of the Underserved Mortgage Market Coalition. I'd like to begin by thanking the FHFA for the opportunity to provide comments today, in addition I'd like to congratulate Freddie Mac for its deployment of the HeritageOne lending product specifically designed to support Native American communities in achieving greater access to capital. It is exactly this rethinking and design of financial products that can be a starting point for reaching rural communities across the country so, we also lend support to Mr. Castillo’s previous comments on the need for a more focused implementation. In regards to the proposed future activities for rural markets provided by both Fannie and Freddie, there are in broad strokes many positive features. One of these is the pledge to maintain or increase loan purchases for both multi-family and single-family investments. On the multi-family side as specifically mentioned by Fannie Mae, a central question lingers, what are the structural barriers to multi-family development in rural areas and what is Fannie doing to address that? We'd like to see more information to see if the low volume Fannie has committed to in this field is because of a shortage of available projects, committing to sip from a drying stream lacks the engagement needed to really impact rural multi-family markets. On the other hand for single-family loan purchases, what incentives are provided to entice sellers to choose Fannie and Freddie? Enticement would be a superior catalyst in generating loans in high needs rural regions then simply a stated increase in demand. We'd like to share more information on this. Related to single-family origination we particularly applaud Freddie's commitment to geographic specificity in generating and leveraging product enhancements for high needs rural regions. As a seller servicer in Texas Colonias, we welcome a focus on our region. Since the adoption of the Colonias investment area framework last April, over one third of our lending activity has been in eligible locations and so, we feel especially primed for further cooperation to increase our work with Fannie, Freddie Mac excuse me, in this space. As for both Fannie and Freddie's commitment to outreach in our rural areas, we need more information on what these efforts produce. Our conversations with the GSEs are always productive but we'd like a more detailed account of how these collaborations influence their subsequent offerings. For example, over the last couple of years we've particularly enjoyed participating in Freddie's rural research symposium. The research topics presented are top-notch but insights on how this research is brought to the table to influence internal decisions around high needs rural offerings would be beneficial. We also humbly suggest that at some point future rural research symposiums are hosted in rural areas or at the very least in adjacent smaller metros. Another item to address today is Fannie's proposed drawdown in LIHTC investments. While we understand the impact of the legal matter is outside of Fannie's immediate control, we cannot state enough how important that something needs to be done by FHFA on this matter. To retreat from multi-investor projects in rural is to essentially retreat from rural. Capital stacks are the reality of rural America. To counter this, Fannie could increase its activity as a sole investor in LIHTC developments, but we recognize this may put them up against regulatory caps on how much they can invest in this space. We propose the FHFA lift these arbitrary caps, so that regardless of the legal concerns around multi-investor profitability, Fannie can still be a significant player in rural LIHTC. In conclusion, I would just like to thank you again for the opportunity to speak today and we look forward to further engagement with Fannie Freddie and the FHFA on these topics, thank you.

TOI ROBERTS: Thank you Dr. Elkin. Okay, so we now have Mr. Ed Sivak and so we'll call on him now to speak. Mr. Ed Sivak from Hope Credit Union.

Ed SIVAK: Good afternoon. Thank you Ms. Roberts, and thank you for the opportunity to share comments on the 2025-2027 Underserved Market Plans for rural housing. The mission of Hope is to strengthen the financial health and wealth of people in Deep South under-resourced communities. We serve the five states of Alabama, Arkansas, Louisiana, Mississippi and Tennessee. And Hope is also one of the largest black and women-owned financial institutions in the country. Similar to the Federal Housing Finance Agency and the GSEs, we at Hope are focused on increasing homeownership and specifically, eradicating the black white homeownership gap in the Deep South. Over the last 23 years, this is a gap that has grown from roughly 362,000 to approximately 550,000 households today. We measure the gap as the number of black households that would need to move from renting to owning today to achieve the same homeownership rate as white households in our region. There is perhaps no more essential and well-placed set of partners in this work than FHFA, Fannie Mae and Freddie Mac, and the Delta region is a place where this work must be deepened. At that end, there are several things in the plan around which we think things, around which we think things are moving in the right direction, in a couple of areas of work where things could be expanded. First, to focus on the acquisition, the expansion of the purchase single-family loans must continue. New products must be piloted, assessed and moved into market, in the marketplace to achieve new targets and to expand black homeownership. Over the last 5 years, Hope has closed 792 mortgages for $101 million. Of those 596 or $76 million were originated through Hope's affordable housing program. Of the affordable housing program mortgages originated, 83% went to black borrowers, 59% went to women-headed households, 91% went to first time home buyers. This product achieves deep impact because of how it is structured. Borrowers may finance up to 100% of the loan value, credit scores as low as 580 are considered, non-traditional sources of repayment history are eligible for underwriting, and no mortgage insurance is required. In 2022, our charge-off rate was less than 20 basis points. We would challenge the GSEs to pilot the offering of a similar product eligible for purchase in the Duty to Serve markets to evaluate the challenges and opportunities around it and to publish the findings. Perhaps the work Fannie Mae has conducted around a potential strategy for a rural special purpose credit program in the context of down payment assistance could be a place to roll out this work. We will never close the black white home ownership gap if there is not a secondary market for products such as these. I want to continue second, we need to continue to prioritize down payment assistance, expand, and also expand and evaluate other tools that advance homeownership. In our experience, flexible down payment assistance grants of $10,000 to $15,000 with the ability to cover closing costs have been found to play an integral role in advancing home ownership particularly among borrowers of color. Fannie Mae has appropriately embedded learning about this critical tool in the plan. It must continue to remain in the plan with a commitment to fund it beyond down payment assistance. The GSE should also direct their research power to understanding how current shifts in the property insurance market are creating barriers to home ownership in rural regions, particularly as climate related disasters increase in frequency and intensity. Also, the previous plan was created in an interest rate environment that was very different, and while rates would be considered historically low, the increase in rates has priced many of our people in our region out of a home. Researching and piloting solutions such as rate buy downs to keep monthly payments for mortgages affordable should also be a priority in the plan. In Fannie Mae's reporting, significant attention is also made to the exploratory conversations around investments in CDFIs. As a third point of emphasis this should continue, and other vehicles should be examined as well. Many of the investments reference include equity equivalent investments, secondary capital investments, and credit unions are also important tools to advance homeownership. It's also important to recognize the importance of liquidity and especially in the context of deposits. Low-cost deposits represent a major opportunity for funding mortgages in the Deep South Duty to Serve communities, and there's also a unique opportunity with the funding of the emergency capital investment program for leverage again to deepen home ownership opportunities. Last but not least, I want to comment on the Low-Income Housing Tax Credit program. We appreciate the work of Freddie Mac to examine the loan composing tax credit and non-profit ownership structures within the Duty to Serve areas. We want to continue, we would like to see a continued emphasis on and support of the program particularly for bringing small projects online, this is critical for expanding high quality housing and high need rural areas. We would also like to broaden this work and respond with two asks. First, we would encourage the FHFA to work with the GSEs to harness the research power of GSEs, to quantify the number of LIHTC properties and Duty to Serve markets that are expiring within the next three year period, effectively the period of the of the market plan. Then develop strategies to move as many people from renting to owning their properties as possible as the credit compliance period expires. Hope is currently working on a number of conversions and we've learned a few things. Many of the tenants have lived in the properties for over a decade. They have a first right of refusal to purchase the property and, based on home values in the Mississippi Delta, most of these homes could be purchased for around $75,000. Even at that amount the affordability remains a challenge. Down payment assistance grants will still be needed, flexible mortgages will be needed, but it's a huge opportunity to move people who have lived in place from renting to owning with a significant, you know, as these credits expire. So again, thank you for the opportunity to speak today. I look forward to continuing to work with all of you to implement these recommendations. Thank you Ms. Roberts.

TOI ROBERTS: Thank you Mr. Sivak. Okay, so the next speaker, and I apologize for us getting out of order but, we have now Mr. Keith Epstein from Roxboro Savings Bank.

KEITH EPSTEIN: Thank you for the opportunity to share thoughts on this important topic. My name is Keith Epstein and I am a community banker and the CEO of Roxboro Savings Bank, a 100 year old Mutual Savings Bank that has been focused on housing finance since our early days as a building and loan association. We fund construction, renovation, purchase and refinance transactions. We offer portfolio products and secondary market eligible loans through our partnership with Fannie Mae, all loans are sold with servicing retained. Located in Person County, North Carolina we serve two distinct markets, rural agricultural communities to our north and west and rapidly growing metropolitan areas, Durham and Chapel Hill to our South. The difference between the two is stark. Transactions in the metropolitan markets are more competitive, larger dollar, and frequently occur without face-to-face or even voice-to-voice interaction with the borrower. In contrast, transactions in our rural markets tend to be less competitive, considerably smaller, and far less digital. The challenges both GSEs have identified and noted within their underserved market plans are very familiar to our bank. I will focus my comments and suggestions on challenges specific to rural single-family home financing. Appraisals, the biggest, the single biggest impediment to our bank delivering a greater volume of mortgages to the secondary Market is the ineligibility of many of the rural homes we finance. Fannie Mae states that, "loans originated in rural communities are more likely to be held in portfolio and may not conform to secondary market standards". Freddie Mac states that rural appraisals are challenging due to, "limited comparable sales which may not be similar or physically near the property being appraised". Both GSEs have recently demonstrated a certain degree of flexibility and willingness to purchase mortgages with appraisals that contain larger adjustments but to fully support rural markets, the appraisal issue must be addressed. Fannie Mae appraisal form 1040 includes a simple question, "does the property generally conform to the neighborhood, functional utility, style, condition, use, construction, etc.?" If the answer is yes, then why not consider this a conforming property absent any other deficiencies? The quantity, proximity and similarity of "comparable properties" is relative in a rural market. Granting eligibility to all rural properties that conform with their community and neighborhood would substantially increase the support GSEs provide rural America. May be oversimplifying but this could be an easy hurdle to clear. Rural lender partnerships partnering with small volume lenders in rural markets is a priority and a challenge cited by both GSEs. Creating a special unit within each of the Enterprises for the specific purpose of recruiting, onboarding, training and providing technology support will allow them to leverage the relationships that these small lenders, such as Roxboro Savings Bank, have developed with their communities over generations. The task force could also explore facilitating small lender consortiums to enable low volume producers to work together to achieve critical mass. These partnerships must be economically viable. Freddie Mac states in their market plan that they intend to "develop policy that will promote financing of small dollar mortgages", referring to the smaller transaction size that is typical in rural areas. In addition to providing training and support, the GSEs may consider minimum servicing fees for small mortgages. Compensating lenders that sell with retained servicing by paying a percentage, usually 25 basis points, disincentivizes lenders from originating small loans, for example it is simply not profitable to service a $40,000 mortgage when the associated gross annual revenue is $100. Implementing a minimum annual servicing payment would help eliminate this element of the servicing model that undermines the development of small dollar mortgage activity. Refinances, Fannie Mae has chosen to “focus exclusively on purchase money mortgages” during the current planning period “because of the inherent volatility of the refinance business in a shifting interest rate environment”. And certainly the refinance market has gone virtually dormant in the conventional space but there is opportunity for both GSEs to gain market share and deliver value in the rural space. The eligibility can be expanded borrowers with portfolio loans those held by the small community lenders that issue the credit many of which carry above market rates, variable rates and future balloon payments, these borrowers stand to benefit from refinancing into a secondary market eligible product. I suggest the GSEs explore using refinanced products as vehicles to gain traction in rural markets. Advisory Council, the GSEs have established effective focus groups with market stakeholders broadening this initiative by forming an FHFA advisory council of home lenders comprised of rural and underserved market originators who work with the Enterprises to fulfill their Duty to Serve mandates would be a natural progression. The CFPB, FDIC, OCC and Federal Reserve all have one or more like bodies and they provide valuable perspective to senior leadership at regular intervals. Such a council would expand and complement the information gathering that is so critical to inform the creation of GSE market plans. The resources and attention that the GSEs are devoting to support rural housing markets as a component of their Duty to Serve is commendable and I hope that we can play a constructive role in achieving the goals set out by both GSEs. Appreciate your consideration and welcome your questions. Thank you for listening.

TOI ROBERTS: Thank you Mr. Epstein. Okay, so our next speaker is Ms. Elizabeth Elliott from the Northern Circle Indian Housing Authority. Do we have Ms. Elliott on the call? Okay, I'm going to move on to the next speaker and circle back to Ms. Elliott. And so our next speaker is Mr. Chris Neary from Cinnaire. Did I pronounce that right Mr. Neary?

CHRIS NEARY: Yes, thank you. Just making sure you can hear me. Thank you so much, my name is Chris Neary, I'm

Senior Vice President for Policy Research and Advocacy at Cinnaire. On behalf of Cinnaire, I want to thank Director Thompson and her staff for the opportunity to comment on the impact of the Duty to Serve plans on rural communities and provide some feedback to hopefully inform the Duty to Serve plans going forward. We also want to thank FHFA for its ongoing commitment to addressing the affordable housing crisis impacting rural communities and holding events like today's to better understand the unique needs of rural markets that we serve. Cinnaire is a non-profit mission-driven affordable housing tax credits syndicator, with a 30-year history of raising equity capital through the low income housing tax credit program for affordable housing developments and to date Cinnaire raised $5.7 billion in total investments supporting the creation or preservation of more than 55,000 affordable housing units in communities that we serve. We also have a CDFI center lending that works to fill in the gaps in the markets we serve and as a member of the Federal Home Loan Bank of Chicago. Cinnaire is guided by, we are driven by ROI. We invest in people and places to transform lives through equitable financial and development solutions, and our history is really tied deeply tied to serving rural communities. Cinnaire was founded hard to bring access to capital for affordable housing developments in underserved markets including rural communities in Michigan where we were founded and where we are still headquartered in Lansing. Since our origin 30 years ago, we've expanded to 9 states, including the Midwest and Mid-Atlantic regions and rural underserved markets continue to be a major focus for us. Our team works regularly to support affordable housing development in rural areas which face unique barriers to the creation and preservation of affordable housing as others have discussed today. Development in rural markets are is particularly challenging due to the underlying economic conditions and the inherently smaller scale of development which leads to more difficulty originating and underwriting those projects and on top of those challenges as others have mentioned today, the lack of investor demand for by financial institutions from community reinvestment act obligations, we need still lower equity pricing for low income housing tax credits leading to bigger financing gaps. In FHFA’s Duty to Serve regulations which charges the Enterprises with taking steps to bring capital to underserved rural markets including multi-family housing has been really critical to helping us and others who have spoken today fill those gaps, in particular Duty to Serve regulation is driven Fannie Mae's investments in scenarios multi-investor funds which has been essential to affordable housing developments, to making those affordable housing developments, and our funds financially feasible in the markets that we serve. To date, Fannie Mae has invested more than $355 million in Cinnaire’s funds, supporting projects in the state to Michigan, Indiana, Illinois, Wisconsin and Minnesota and on average over the past 10 years. Fannie Mae’s investments has increased the number of affordable rural housing units in our funds from 15% to 28% of total units. And as a mission-driven syndicator, with deep knowledge of our rural community scenario has also been uh reliable and consistent partner to Fannie Mae helping meet its Duty to Serve obligations in an efficient and effective manner. As FHFA knows and others have spoken about today, Fannie Mae has withdrawn from the multi-investor LIHTC market to the uncertainty around the tax exempt control issue. We have been working along with others to encourage the U.S. Treasury Department and the IRS to issue guidance that will clarify that issue, and we know that FHFA does not have authority over that issue, but we want to take this opportunity to share some of the material and negative impacts that we are seeing due to Fannie Mae's withdrawal on the markets piece we serve. First, you know we saw a reduction in equity and scenarios most recent multi-investor fund, which has reduced the size of our funds and as a result the number of properties we finance in rural areas has declined, and that has been compounded by other investors share limits which further reduces the scope of and impact of our funds. We have seen lower tax credit pricing resulting in less equity in rural projects. That's critical because as others have mentioned non-CRA projects typically receive less equity per credit than CRA-driven pricing and Fannie Mae really helps make up for that gap, and critically finally it's reduced the capacity to make rural projects work at a time when they really do need the support. Fannie Mae's investment in our multi-investor funds has been really critical to helping some of these projects overcome the many challenges that have made their projects less feasible. We have less capacity to support these developments making them much less likely to come to fruition in communities that are struggling to create and preserve already scarce affordable housing developments. Of course these challenges are layered on top of the already difficult development conditions we have seen with rising costs and interest rates. Again, we recognize that this is an issue that needs resolution by the Treasury Department but wanted to underscore the urgency and share with the broader public the importance of addressing this issue as soon as possible. We also agree with the Midwest Housing Equity Group and others who mentioned that assuming this issue is resolved there is a strong need to increase the caps on the GSEs' investments in LIHTC, given the dynamics in the current market and the upcoming regulatory environment about CRA and potentially higher capital standards for financial institutions. And, before I conclude, I just want to echo the comments from HAC about exploring and others about exploring the feasibility of equity investments in CDFIs which can be a critical way of increasing access to capital in rural markets. So, thank you again for your time and we very much appreciate the opportunity.

TOI ROBERTS: Thank you Mr. Neary. All right, so our next speaker is Mr. John Marian from the Northern Cheyenne Tribal Housing Authority.

JOHN MARIAN: Well, good afternoon everyone and thank you to FHFA and to the GSEs for listening to our voices today and some of the challenges that we face in Indian Country specifically. I do want to clarify that I'm not Native, however I do serve the Northern Cheyenne tribe. The reservation a little bit of detail on the Northern Cheyenne reservation is, its 440,000 acres in size, 99% of the land is owned by the tribe, approximately 6,000 members living on the reservation. The Northern Cheyenne and the current reservation are the driving forces behind the Bighorn and Rosebud Counties persistent poverty status. Everything takes longer in rural communities. The Northern Cheyenne reservation is 90 minutes from the nearest big city. There's a very low stock of units for sale or under construction. In a dozen years of working on the reservation there's been about six homes built on the reservation and three of those were built by volunteers over 10 years ago. There's very few capable contractors or very few willing to work on government contracts at all. The suggestion I'm going to make is kind of from the bottom up versus the top down where we're trying to invest equity and things of that nature but, there's some very serious shortcomings in regards to looking at Indian Country. The first is, the ACS statistical driven nature is wildly inaccurate in Indian Country because of the significantly higher underreported data unemployment population Native American population etc. There's deep misunderstandings about the complexities related to trust title, allotment and fractionation would scare off and confuse all but the most specialized lenders and investors. And then mortgages as developed over more than a century off the reservation in the market don't meet the needs of Native American home buyers on trust land. In my opinion LIHTC is not a viable for most communities as the tail is considerably long. So I'm talking a little bit about the GSE's championing efforts that promoters sustained homeownership for Native American population. As an educator myself, home buyer courses are important and I don't feel these courses resonate with the students like we hope. Budgeting, FICO scores, debt the income ratios, reserves, when you live in poverty these are the luxury concepts. Understanding the mortgage process isn't the problem, the mortgage and its process are the problems. So things that consider in Indian Country for a home loan or a mortgage but that it's easier to quit your job or to be fired, new administration comes in, a person that was a director of a program can now find themselves as a school bus driver. Mortgage credit is a minimal promise or concern native buyers. I would suggest that the mortgage as it is today with a 30-year fixed rate term with payments due every month is a challenge for most people on the reservation and that automatic forbearance perhaps multiple times and loan modification should be parts of the contract. The flexibility of payments as incomes may flux is important but not going to the potential negative amortization that some loans had back in the in the heyday. No foreclosure, title cloud, generational transfer of the note, some type of portability behind the mortgage. Also with some of the different local lenders have pointed out hands-on servicing and communication with your, with a local well-trained staff is going to keep these loans performing and keep the families in the homes. The GSEs might be able to contribute to this with a higher servicing fee for Native owned CDFIs due to the first-hand nature to keep the notes performing. Commercial lenders are not geared up to help with the workforce of low-cost housing without specialized collateral pledges related to our Indian housing block grant entitled six collateral backed loans. I would also offer that these uh these mortgages need to be at a lower rate for the borrowers in the traditional market rates and that Fannie Mae should increase, the GSE to increase their price for trust land to account for the purchase of these loans and for the servicing. There's a very solid case to develop and pilot a special purpose credit program and equity investment in more local CDFIs. The GSEs may also be able to help by investing and improving the time to receive the certified title status report which can take two, three, four years on some reservations. As I mentioned earlier, the American Community Survey is statistical and doesn't work well for tribes and so if the GSEs could contribute in some way to census dollars, so that tribes can perform their own censuses and be able to communicate well with what their population looks like. There's also an extreme need and access for preservation capital, rehabilitation dollars, either as a grant or low cost or forgivable loan. And I wonder how the GSEs can lift the Native Americans out of poverty through homeownership but without the heavy burden of the 30-year fixed rate every month payment mortgage. Let's look from a bottom-up approach versus a top-down approach to solving this problem. Thank you for your time.

TOI ROBERTS: Thank you Mr. Marion. Okay and our next speaker and possibly the last speaker, we have one speaker that is not connected on the call. So, we'll circle back if we should get her back on the call, but the next speaker that I'll introduce now is Ms. Victoria Loonstyn-Baron from Sophia's Social Justice.

VICTORIA LOONSTYN: Can you see me, can you hear me?

TOI ROBERTS: Yes.

VICTORIA LOONSTYN: Okay. So I'm a copywriter and I'm working on a project called “The People's Copywriting Project”. Like he said, like a down to up and up to down, left to right kind of concept is the only way to matrix or systematically look at your customer. You are trying to identify who is your customer avatar? Who, what are their characteristics, what are their problems, what are their barriers, what are they dealing with? And then from there you can identify their road map, which are the touch points, like GSE to concess his money or all these little touch points, these barriers kind of things. And as you then identify that, and this is just like in a group of five people you could do this, it would work so easy, it would be so easy. And then your plan, your strategy would be completely applicable according to due diligence. And I love copywriting because it basically says like marketing and psychology is the way to go when investing in communities, when investing in housing, and so you have to look at the touch points of your avatar, who are you working with, what are they like? These questions, the road map of they're going to take, where you can best approach to deal with these issues and integrate your services and then how the communication is going to work is vital. I come from a family that comes from Italy and that just like the way that the land is being used and the way that things have fallen apart across the entire globe, it becomes very vital to look at people and see the situation bottom up and then top down, left and then right, because if you don't identify what's working or what has been working, then your goals become unrealistic and unattainable and you impact communities negatively. This is the global aspect. So I believe in the United States that we can do better by better looking at our customers, better looking at the road map, better looking at the touch points and integrating our services in a more aligned psychological point of view. Knowing that psychology integrates with sociology into the matrix of economics. This is our duty, and that is all I have to say pretty much. Is anybody there, hello? I don't see you.

TOI ROBERTS: I'm sorry, yes, thank you so much Ms. Victoria Loonstyn-Baron. We will um, okay so that was the last speaker and I think we don't have Ms. Elizabeth Elliott on the call anymore so this may conclude our, (this) may conclude today's session. So, I just want to thank you all, 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 everyone, as Toi said we want to take a minute to thank all of our presenters today for sharing their comments and for the audience for your attention in today's session. I think we heard about a lot of different topics related to the Duty to Serve rural markets and we really appreciate the diversity of views expressed during this call. We will take all of the remarks that we heard into consideration and we also want people to know for those who didn't speak or who have more to say that you also have an opportunity to post comments on fhfa.gov and we will take those comments that are posted on fhfa.gov into consideration as well. We look forward to continued collaboration with all of you and I'm going to turn it back to Toi to wrap things up, thank you.

TOI ROBERTS: Thank you Marcea. So that now concludes today's session and I want to thank all of you again, all of our guest speakers and to all of you who joined in today. All comments will be posted on our website soon and remember you can also submit written comments about the Enterprises' rural housing market activities on our Duty to Serve website at www.fhfa.gov/dts and we will be accepting written comments through July 31st. Okay, all right, so thank you all. This concludes today's session and we'll give you guys some time back today, thank you.