



# REQUEST FOR INPUT ON FANNIE MAE AND FREDDIE MAC 2023 DUTY TO SERVE PLAN MODIFICATIONS

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Division of Housing Mission and Goals

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## Introduction

The Federal Housing Finance Agency (FHFA) requests public input on proposed modifications by Fannie Mae and Freddie Mac (the Enterprises) to objectives in their 2022-2024 Duty to Serve (DTS) Underserved Markets Plans (Plans).

## Background

The Housing and Economic Recovery Act of 2008 amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 to establish a duty for the Enterprises to serve three specified underserved markets—manufactured housing, affordable housing preservation, and rural housing—by increasing the liquidity of mortgage investments and improving the distribution of investment capital available to facilitate a secondary market for residential financing for very low-, low-, and moderate-income families in those underserved markets.<sup>1</sup>

FHFA’s DTS regulation, which implements the statutory provisions, requires the Enterprises to prepare Plans detailing the specific objectives and activities they plan to implement to fulfill the DTS mandate.<sup>2</sup> The Enterprises’ 2022-2024 Plans went into effect on January 1, 2022. The DTS regulation allows an Enterprise to request to modify its Plan at any time, and FHFA and the Enterprises may seek public input on the proposed modifications if FHFA determines that public input would assist its consideration of the proposed modifications.<sup>3</sup> FHFA must provide a Non-Objection to a proposed modification for it to become part of a Plan.<sup>4</sup>

This request seeks public input on certain modifications to Plan objectives proposed by the Enterprises where FHFA has determined that such input would assist FHFA in considering the proposed modifications. The Plan modification review process established pursuant to Chapter 1 of FHFA’s DTS Evaluation Guidance is described below. The review process is intended to enable the Enterprises and FHFA to apply lessons learned and improve the Plans in an expeditious manner, while also providing transparency to the public about substantial changes to the Plans.

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<sup>1</sup> 12 U.S.C. 4565.

<sup>2</sup> 12 CFR 1282.32.

<sup>3</sup> 12 CFR 1282.32(h).

<sup>4</sup> *Id.*



## Overview of Modification Process

As the Enterprises continue to implement the DTS program, FHFA has found that it is a best practice for the Enterprises to assess their Plans and propose modifications to those Plans, where appropriate, on an annual basis. While modifications are allowed under FHFA's regulation and Evaluation Guidance, they are not a required part of the DTS process.

A proposed Plan modification should include a sufficient basis and explanation for why the modification is appropriate. FHFA has advised the Enterprises to use a "Plan Modification Request" form to request and justify a proposed modification.

The standards for FHFA's Non-Objection determination for the 2023 modifications are as follows:<sup>5</sup>

1. The concept score for each objective in the underserved market over the three-year period of the Plan is 30 or higher; and
2. The modified underserved market section of the Plan must continue to include at least the required number of activities that include at least one loan purchase objective applicable to the specific year of the Plan for that market.

The DTS regulation provides that proposed modifications will be subject to public input "if FHFA determines that public input would assist its consideration of the proposed modifications."<sup>6</sup> FHFA has discretion to determine which proposed modifications will be subject to public input.

To help the Enterprises and the public understand how FHFA uses its discretion in deciding when to seek public input on modification requests, FHFA has identified the following examples of modification requests for which FHFA is more likely to seek public input:

- Reducing a quantitative target by 40 percent or more, especially when that reduction is not accompanied by a change in the historical baseline for that action; and
- Eliminating an objective entirely.

FHFA has identified the following examples of modification requests for which FHFA is not likely to seek public input:

- Changing a historical baseline or numerically measurable target due to a miscalculation. In light of the wide variety of activities in the Plans, it is conceivable that the Enterprises

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<sup>5</sup> See Evaluation Guidance 2022-6.

<sup>6</sup> 12 CFR 1282.32(h).



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and FHFA may disagree about how to conceptualize or count certain metrics, such as the number of units eligible for DTS credit under a certain activity. As FHFA and the Enterprises reconcile these discrepancies, an Enterprise may need to change its baseline or target accordingly; and

- Modifying the measurable quantity of an objective by a modest amount, which FHFA deems to be an increase or decrease of less than 10 percent.

FHFA expects to issue its determinations on the Enterprises' proposed modifications after considering the public input received on this Request for Input, by December 31, 2023. Upon the issuance of a Non-Objection, FHFA intends to publish the following documents on FHFA's public website, with any confidential and proprietary information omitted:

- The complete modified Plans the Enterprises submitted that received a Non-Objection from FHFA;
- Redlined versions of the portions of the modified Plans containing all modifications, including technical edits;
- Both Enterprises' completed "Plan Modification Request" forms for each proposed modification that received a Non-Objection from FHFA. These documents will be published to provide the public with insight into the reasons the Enterprises modified their Plans.

### Input Questions on the Proposed Modifications to 2023 Plan Objectives

To inform FHFA's consideration of Fannie Mae's and Freddie Mac's proposed Plan modifications, FHFA requests input from all interested parties on the following:

1. What is the proposed modification's potential impact on the related objective(s) in the Plan and on the applicable underserved market as a whole?
2. What market conditions should FHFA consider related to the proposed modification?
3. Are there any safety and soundness concerns related to the proposed modification?
4. What additional information might be helpful in evaluating the proposed modification?
5. Is the proposed modification appropriate based on the information and justification provided by the Enterprise? If not, why not?
6. Is there any other feedback on the proposed Plan, as modified, that FHFA should consider?



# Request for Input on Fannie Mae and Freddie Mac Duty to Serve Plan Modifications

Each proposed modification includes a title, which identifies the Enterprise, applicable underserved market, Activity, and objective number. **Please use this title in your response.** Responses should be as specific as possible when referring to individual Activities and objectives.

The “Plan Modification Request” forms submitted by the Enterprises for each of the proposed modifications that are the subject of this request for input are included so that the public may understand the Enterprises’ justifications for each proposed modification. For more background information, see the Enterprises’ Plans, which are posted on the DTS program homepage on the FHFA website (<https://www.fhfa.gov/dts>).

## A. Proposed Modifications to Fannie Mae’s Plan

Fannie Mae has submitted 20 modification requests to FHFA, and FHFA will consider all 20 modification requests as part of its review process. FHFA is requesting public input on Fannie Mae’s request to modify the seven objectives identified below. Fannie Mae’s proposed modifications to these objectives are described in the Plan Modification Request form included with this Request for Input.

### Manufactured Housing

- **Manufactured Housing Communities Owned by a Governmental Entity, Nonprofit Organization, or Residents Objective 1:** Increase loan purchases of MHCs owned by government entities, nonprofit organizations, or residents.
- **Manufactured Housing Titled as Real Property Objective 1:** Acquire purchase money mortgage (PMM) loans secured by manufactured housing titled as real property.
- **Support Manufactured Home Lending on Tribal Trust Land (New Objective) Objective 1:** Develop product and process flexibilities to streamline manufactured home lending on tribal trust land.

### Affordable Housing Preservation

- **Energy or Water Efficiency Improvements on Single-Family, First Lien Properties, Objective 1:** Increase the purchase of mortgage loans that finance energy and water improvements or refinance existing energy debt.
- **Shared Equity Programs for Affordable Housing Preservation, Objective 2:** Increase the purchase of mortgage loans that finance shared equity homes.

### Rural Housing



- **Housing in High-Needs Rural Regions, Objective 2:** Acquire single-family purchase money mortgage (PMM) loans in high-needs rural regions.
- **Financing by Small Financial Institutions of Rural Housing, Objective 1:** Acquire single-family purchase money mortgage (PMM) loans in rural areas from SFIs.

## B. Proposed Modifications to Freddie Mac's Plan

Freddie Mac has submitted 11 modification requests to FHFA, and FHFA will consider all 11 modification requests as part of its review process. FHFA is requesting public input on Freddie Mac's request to modify the seven objectives identified below. Freddie Mac's proposed modifications to these objectives are described in the Plan Modification Request form included with this Request for Input.

### Manufactured Housing

- **Manufactured Housing Communities Owned by a Governmental Instrumentality, Non-Profit Organization, or Residents, Objective A:** Purchase Resident-Owned, Non-Profit-Owned, and Government Instrumentality-Owned Loans.

### Affordable Housing Preservation

- **LIHTC Debt, Objective A:** Provide Liquidity and Stability Through LIHTC Loan Purchases.
- **Section 8, Objective A:** Provide Liquidity and Stability through Section 8 Loan Purchases.
- **USDA Section 515, Objective A:** Purchase Loans to Preserve Properties with USDA Section 515 Debt.
- **Sustainability and Resiliency, Objective A:** Address Resiliency Through Analysis on Public Incentive Programs/Policies and Loan Offering Development.

### Rural Housing

- **Housing in High-Needs Rural Regions, Objective A:** Increase Single-Family Loan Purchases in High-Needs Rural Regions.
- **Financing by Small Financial Institutions (SFIs) of Rural Housing, Objective A:** Provide Liquidity to Small Financial Institutions Serving Rural Areas.



## Public Input Instructions

FHFA will accept public input on this request for input no later than December 6, 2023.

Submissions may be delivered by one of the following two ways:

(1) Submitted to the DTS webpage at <https://www.fhfa.gov/AboutUs/Contact/Pages/Request-for-Information-Form.aspx> or

(2) Addressed to Marcea Barringer, Supervisory Policy Analyst, Attention: Duty to Serve 2023 RFI, Federal Housing Finance Agency, Ninth Floor, 400 Seventh Street, SW, Washington, DC 20219. Please note that all mail sent to FHFA via U.S. Mail is routed through a national irradiation facility, a process that may delay delivery by approximately two weeks. For any time-sensitive correspondence, please plan accordingly.

Submissions to FHFA will be publicly posted without change, including personal information such as name, street address, email address, and telephone number.

