



August 12, 2024

The Honorable Sandra Thompson  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street SW, 7<sup>th</sup> Floor  
Washington, D.C. 20219

RE: Request for Input – Fannie Mae and Freddie Mac Proposed 2025-2027 Duty to Serve Plans

Dear Director Thompson,

Thank you for the opportunity to comment on the Enterprises’ 2025-2027 Underserved Market Plans. Cinnaire greatly appreciated the opportunity to provide oral comments at the Rural Housing listening session and FHFA’s leadership on ensuring that the Enterprises are meeting their statutory mandates. Our written comments focus on rural housing as well as affordable housing preservation, which are critical to the communities we serve.

Cinnaire is a nonprofit, mission-driven affordable housing tax credit syndicator and CDFI with a 30-year history of raising equity capital through the federal Low-Income Housing Tax Credit for affordable housing developments, as well as financing impactful community development projects. To date, Cinnaire has raised \$5.7 billion in total investments, supporting the creation or preservation of more than 55,000 affordable housing units. We also have an affiliated CDFI, Cinnaire Lending, that works to fill lending gaps in the markets we serve, including rural areas, and is a member of the Federal Home Loan Bank of Chicago.

Our history is deeply tied to serving rural communities. Cinnaire was founded in part 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. Since our start 30 years ago in Lansing, Michigan, we have expanded to nine states, including the Midwest and Mid-Atlantic regions, and rural underserved markets continue to be a major focus for us.

By working regularly to support affordable housing developments in rural areas, our team understands the unique barriers to the creation and preservation of affordable rural

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housing. Development in rural markets is more challenging due to underlying economic conditions and the inherently smaller scale of development, in turn leading to more difficulty originating and underwriting projects. Difficulty finding contractors and materials can lead to delays and higher costs. On top of these challenges, the lack of investor demand driven by financial institutions' Community Reinvestment Act (CRA) obligations leads to lower equity pricing for Low-Income Housing Tax Credits, creating bigger financing gaps and disadvantages to rural housing developments.

The Enterprises can and must play a critical role in helping to bring capital to address the needs of rural communities and to preserve desperately needed affordable housing developments. FHFA's Duty to Serve regulation – which charges the Enterprises with taking steps to bring capital to underserved rural markets, including multifamily housing – has been critical to helping us bring capital to these markets, especially through our long-standing partner Fannie Mae.

### **Increasing Low-Income Housing Tax Credit Investments in Rural Areas**

Fannie Mae has been a vital investor for affordable housing development in the markets we serve, playing a major role in ensuring that projects financially feasible in the rural communities we serve. To date, Fannie Mae has invested more than \$390 million in Cinnaire's funds, supporting projects in Michigan, Indiana, Illinois, Wisconsin, and Minnesota. These investments have had a clear impact: On average, over the past 10 years, Fannie Mae's investments have increased the number of affordable rural housing units in our multi-investor funds from 15% to 28% of total units.

Cinnaire has also been a reliable and consistent partner to Fannie Mae, helping it meet its Duty to Serve obligations in an efficient and effective manner. Multi-investor funds like Cinnaire's help investors, including Fannie Mae, deliver capital to smaller scale projects, which are much more typical in rural markets. As a mission-driven tax credit syndicator with deep knowledge of the rural communities we serve and a proven track record, we pride ourselves on being a reliable partner.

As FHFA knows, unfortunately, Fannie Mae withdrew from the multi-investor LIHTC market in 2022 due to uncertainty around the Tax-Exempt Controlled Entity (TECE) issue. We deeply appreciate Fannie Mae's commitment to developing a strategy to continue investing in rural areas through multi-investor funds, which facilitate much-needed investments in rural areas. As a result, we were pleased to include Fannie Mae as an investor in our most recent fund. With Fannie Mae's investment, our fund will lead to the development of 1,228 affordable multi-family homes across 22 properties in Michigan, Illinois, Indiana and Wisconsin.

While positive, we strongly believe that a long-term solution is necessary to ensure that both Enterprises can deliver the capital that rural markets need. When Fannie Mae exited the market, we saw a reduction in the size of our fund, which reduced the number of properties we were able to finance in rural areas. Rural projects also received lower tax credit pricing and ultimately hurt their financial feasibility, making them less likely to come to fruition at a time when communities are struggling to create and preserve scarce affordable housing options.

We have been working, along with fellow members of the National Association of State and Local Equity Funds (NASLEF) and others in the affordable housing industry to encourage the U.S. Treasury Department and the IRS to issue guidance that will clarify this issue. We have also seen strong bipartisan support for resolving this issue in the U.S. Congress, as shown by the recent introduction of the bipartisan Preserving Rural Housing Investments Act in both the U.S. Senate and House of Representatives.

We understand that Fannie Mae's baseline in its proposed 2025-2027 plan does not reflect resolution of the TECE issue. However, assuming Fannie Mae's investment strategy continues to be workable or there is resolution through regulatory guidance or legislation, we encourage the adoption of much more aggressive targets that exceed Fannie Mae's baseline before the TECE issue arose. We also encourage Freddie Mac to consider the use of multi-investor funds to increase its reach in rural markets, especially smaller scale developments that are more typical in rural areas. Both Enterprises' goals should seek to address the unmet demand for affordable housing investment capital in rural markets.

### **Partnering with CDFIs to Meet Unmet Demand for Rural Housing and Preservation**

Cinnaire agrees with Fannie Mae's loan purchase goals for small multifamily rental property loans. Having been a Fannie Mae affordable lender in the past and currently a partner in CPC Mortgage company, Cinnaire is quite familiar with Fannie Mae's multifamily loan offerings and processes. Our market consists of 9 states in the upper Midwest into the Mid-Atlantic with many USDA Rural Development 515 properties, many of which need recapitalization or refinancing. We are currently working with several developers/owners of rural properties on recapitalization or refinance projects and will likely look for agency financing for these larger portfolios through our partnership with CPC Mortgage. For smaller properties, a small mortgage product tailored to rural housing would be of great interest to Cinnaire's CDFI, Cinnaire Lending. Cinnaire has several loan products, ranging from predevelopment loans to mini-perms to bridge loans, that would be extremely beneficial to small owners and operators of rural housing.



In addition, we encourage the GSEs to explore the feasibility of equity investments in CDFIs. Like LIHTC investments, capital for CDFIs is driven by CRA demand. Cinnaire Lending has been critical to helping fill lending gaps in rural markets, but it is limited by constraints on capital, including in rural areas. We would welcome the ability to work with the GSEs to ensure adequate debt capital is provided to affordable housing developments in our rural markets. Providing quasi-equity capital and below market funds to the CDFI would add significant capacity to work with the smaller projects, which are more typical in rural markets.

### **Conclusion**

Thank you again for FHFA's ongoing commitment to addressing the affordable housing crisis in rural communities and preserving affordable housing developments. The Enterprises have shown that they can make a major impact in the markets we serve, and we stand ready to work with them to deliver capital to underserved markets.

Sincerely,

Chris Neary  
Senior Vice President – Policy, Research and Advocacy  
Cinnaire