Federal Housing Finance Agency
400 7th Street SW
Washington D.C., 20219
RFI on Proposed 2025-2027 DTS Plans

PRT commends the Federal Housing Finance Agency (FHFA) for hosting listening sessions and appreciates the GSE's prior commitments to these underserved markets . The solution to bringing liquidity to these credit-starved regions can be found in the voices of those who live there. We at PRT hope that this expertise born of lived experience is given high priority.

By the conclusion of the next set of plans, it will be 20 years since the Housing and Economic Recovery Act of 2008 (calling for the implementation of Duty to Serve, or DTS), and a decade past the establishment of DTS. As it stands currently, both Fannie and Freddie have had ample time to conduct outreach, grow relationships and to have piloted loan products necessary to develop these markets. Yet, the bulk of actionable steps in the current plans remain focused on "outreach." PRT, and other organizations who work in these housing markets, encourage the GSE's to work with them to transition from outreach into tangible actions that bring material resources to these underserved markets. Short of such measurable shifts in liquidity, the results of "outreach" remain vague and their method of evaluation far from transparent.

The minimum purchases outlined in some sections of both the GSEs plans are too low. With the strength that comes with the name Fannie and Freddie in the housing sector, especially when it comes to liquidity, more can be done; and more needs to be done. Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) have the assets that Freddie and Fannie need to serve these markets in a truly meaningful way: they live in and serve these regions and have established trust-based relationships with the communities. These financial entities have realized their role as investors: they provide the tools; the communities direct the work. PRT urges Fannie and Freddie to see themselves as the tools needed to do this work by allowing more flexibility for the CDFIs, MDIs and other community organizations to have more access to the secondary market, so they can continue to guide communities to a prosperous future.

The minimums set within the activities and objectives are too low to make lasting impact on these markets. A reason for these low standards may be due to relying on public data that underestimates population and has deceptive poverty rates. Having lower population estimates lowers the amount of funding funneled into a region, and with widespread poverty lowering the median income amount, it would take a statistically significant outlier to prove eligible for federal, state or local assistance. This is seen in every region of persistent poverty, but it is especially true for Native communities.

Native communities, due to decades of chronic disinvestment from all funding streams, continue to face some of the most severe housing crises in the country. Native unsheltered homelessness is significantly higher than the national average, and there is also a large amount of sheltered homelessness. Overcrowding is common, with multiple (3-4) families sharing a single home or unit because of a variety of barriers to homeownership.

The proposed plans from Fannie Mae and Freddie Mac do little to address these issues adequately. Fannie Mae's plan, which sets a minimum of only 10, 15, and 20 single-family home purchases in Native areas for the years 2025, 2026, and 2027 respectively, and Freddie Mac's plan, with a minimum of 20, 22, and 25 loans for the same period, are insufficient. Given the chronic need and the GSEs' capacity, these targets should be significantly increased.

PRT supports our national partner, the Housing Assistance Council (HAC), regarding USDA Section 515 loans. HAC launched their Center for Rural Multifamily Housing Preservation earlier this year to bring their lending, research, technical assistance, and policy expertise together to address the dire preservation needs of this critical stock of rural rental housing.

HAC and PRT are glad to see Fannie continuing to support preservation technical assistance for the Section 515 portfolio and are pleased to see an increase in the goal for organizations served over the last Plan round (from 20 per year to 30 per year). We do, however, feel that the goal to finance the preservation of 85 units per year is too low given that Fannie was able to finance the preservation of nearly 250 units in 2023. We would suggest that the 2023 activity alone be used as the baseline for this goal, instead of using a three-year historical average. Additionally, switching to units instead of properties as the metric could inadvertently result in Fannie pursuing only preservation deals on larger properties to minimize the number of deals needed to meet their goal.

We are disappointed to see Freddie Mac not set forth any specific Section 515 preservation goals in their proposed 2025-2027 Plan. For several years now, Freddie has tried to remove their proposed Section 515 purchase goals during the annual Plan modification process and FHFA has prohibited this request. While these deals are undoubtedly challenging, they are possible as evidenced by the fact that both Enterprises have done them (Freddie in 2021 and Fannie in 2023). Freddie Mac should add Section 515 purchase goals back into their proposed 2025-2027 Plan before it is approved by the FHFA.

PRT is excited to see the colonia-specific objective in Fannie Mae's proposed plan. Increasing the purchase of single-family homes specifically in Colonias is an essential part of the equation to addressing the housing crisis in these communities. In light of the newly adopted definition of colonias from FHFA that PRT Partner cdcb and National Partner HAC generated, the Enterprises will better target the intended communities within this market. PRT looks forward to seeing a plan that includes usable products in Colonias and increases material support for credit counseling and home-buyer education.

Risk is often cited as a reason for the GSEs' reluctance to purchase DTS-market loans. However, CDFIs like those partnering with PRT have demonstrated that it is possible to achieve significant lending volumes even in challenging market conditions. Between June 2022 and December 2023, PRT Partners collectively issued 30,220 loans in regions of persistent poverty, mobilizing a total of $1.1 billion. Among these, 201 loans were made to Native borrowers, infusing over $57 million directly into Native communities, with $19 million going directly to Native borrowers in persistently poor counties.

These accomplishments highlight that the GSEs' minimum commitments can and should be much higher. The success of mission-driven lenders, who operate with comparable delinquency and default rates, proves that higher targets are both feasible and necessary. Fannie Mae and Freddie Mac must increase their minimums to make a meaningful impact on Native and rural housing needs.

Freddie Mac's proposal of 3 Low-Income Housing Tax Credit (LIHTC) equity investment transactions per plan year (total of 9 over three years) is an unacceptable goal. Fannie has ranges slightly higher, between 16-55 over the 3-year plan. HUD reported in 2022 there were 43,349 LITHC properties and over 3 million LIHTC units within the Properties Placed in Service Database. There are ample opportunities for the GSE's to play an important role in the capital stack of LIHTC transactions, and PRT urges the Enterprises to increase this objective's evaluation minimum LIHTC commitments substantially.

PRT Partners have respected relationships with the GSEs and communicate regularly on what the needs of our regions are, and we hope to see the final proposals reflect the strength that we know and expect from Fannie and Freddie. Access to the secondary market has been a resounding need, and several loan products have been shared, it's time to put them to the test and measure the impact.

In partnership,

Sara Ball

Sara Ball

Partners for Rural Transformation (PRT)

sarab@pfrt.org

PARTNERS FOR RURAL TRANSFORMATION