



May 30, 2017

**Attn:**

Matt Douglas, *Duty to Serve Assistant Program Manager*

Jim Gray, *Duty to Serve Program Manager*

Shannon Maloney, *Duty to Serve Program Analyst*

Mary Owens, *Duty to Serve Affordable Multifamily Specialist*

Shiv Rawal, *Duty to Serve Affordable Rural Specialist*

Geenae R. Rivera Soto, *Duty to Serve Affordable Single-Family Specialist*

**Federal Housing Finance Agency**

Constitution Center

400 7th Street, SW

Washington, D.C. 20219

**Public Comment on FHFA's Proposed Evaluation Guidance for Duty to Serve Program, and Comments on Fannie Mae's and Freddie Mac's Proposed Underserved Markets Plans**

Dear Duty-to-Serve Program Experts:

The California Community Land Trust Network (CCLTN), a coalition of Community Land Trusts throughout the state of California, is hereby providing public comment on the above referenced draft documents.

**Background – Who we are**

The Community Land Trust (CLT) model is a mechanism for creating and preserving permanently affordable ownership housing through split title to property, with the CLT retaining ownership of the land, and recording a 99-year renewable land lease with the homeowner. The land lease contains enforceable affordability and occupancy covenants which ensure the permanent affordability of the home to target income levels.

The member organizations of the CCLTN steward hundreds of units of permanently affordable housing, with dramatic expansion planned over the coming years. It is crucial to our mission to have access to reliable and competitive financing, both for multi-family projects, as well as for single-family homebuyer mortgages. Historically, both have been exceedingly difficult to secure for CLT projects, this despite the fact that CLT homeownership has proven to be one of the most stable, and least risky forms of homeownership. During and in the aftermath of the housing and financial markets crisis CLTs across the country witnessed exceptionally low rates of foreclosure, e.g. 0.56% in 2009 as compared with 15.58% foreclosure rates in the



conventional market. See [www.lincolnst.edu/pubs/1936\\_Stable-Home-Ownership-in-a-Turbulent-Economy](http://www.lincolnst.edu/pubs/1936_Stable-Home-Ownership-in-a-Turbulent-Economy)

Bay Area CLT

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Beverly-Vermont Community Land Trust

CLAM (Community Land Trust of West Marin)

Irvine Community Land Trust

LA EcoVillage

Northern California Land Trust

OakCLT

PAHALI (Preserving Affordable Housing Assets Longterm, Inc)

San Diego Community Land Trust

San Francisco Community Land Trust

Housing Land Trust of Sonoma County

T.R.U.S.T. South LA

Most notably, the Community Land Trust model, by permanently securing and stewarding the affordability of housing, dramatically increases (and preserves) the value of initial subsidy into affordable housing projects. Rather than recapturing and recycling subsidy dollars (such as via shared equity loans), which much continue to increase in amount to keep pace with escalating market prices, the CLT model retains the subsidy permanently, by pegging future re-sale prices of homes to an index (such as the Area Median Income, or the Consumer Price Index). Thus the home price is guaranteed to remain affordable to the target income level. In high cost areas, such as the San Francisco Bay Area, this has resulted in subsidy values increasing by 1,150% over the past 10 to 20 years (see attached slides). In other words, if a public entity, having invested \$28K in the year 2000 (to help make a unit affordable to an 80% AMI household), wanted to continue to make that same unit affordable to the same income level in 2017, the subsidy would now need to be at least \$330,000 (up to \$550,000 in certain sub-markets) if the unit were sold at market value. This disparity is most pronounced in these high cost areas where market prices are accelerating faster than median incomes. In other words, homeownership in these markets is disproportionately skewing towards the wealthy.

### **Comments - FHFA's Proposed Evaluation Guidance for Duty to Serve Program**

We would like to see the proposed Evaluation Guidance explicitly include a set of criteria and scoring for adding Permanent Affordability (i.e. 99 years or greater, evidenced by affordability covenants recorded on title) to any of the programs and/or loan products proposed, whether as Single-Family home mortgages, rural loan programs, or multi-family mortgages.

They most effective leverage for expanding the pool of permanently affordable housing is through such high-level policy which rewards public, private and public-private sectors for their efforts at creating programs, regulations and products which make permanent affordability a priority.

### **Comments - Fannie Mae's and Freddie Mac's Proposed Underserved Markets Plans**

The CCLTN is pleased to see the GSE's efforts to increase efforts to reach underserved markets. Fannie Mae in particular has made great steps towards this, e.g. through the development of their ground lease rider, and recently through the introduction of desk-top underwriting for CLT loans. We are eager to see Freddie



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Mac adopt similar practices to make it possible for CLT homeowners to access Freddie Mac backed loans.

Bolinas Community Land Trust

We do have a few specific suggestions to tweak the proposed Plans which would make it much more likely to increase Community Land Trusts' access to project and homebuyer financing.

Beverly-Vermont Community Land Trust

Please see attached comments made directly to excerpts from both the Fannie Mae and the Freddie Mac Proposed Underserved Markets Plans' summary charts.

CLAM (Community Land Trust of West Marin)

Irvine Community Land Trust

Sincerely,

LA EcoVillage

Francis McIlveen  
Director of Policy  
Northern California Land Trust  
Founding member,  
**California Community Land Trust Network**

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Permanently Affordable Homes for California's Working Families

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The most effective leverage for expanding the pool of permanently affordable housing is through such high-level policy which rewards public, private and public-private sectors for their efforts at creating programs, regulations and products which make permanent affordability a priority.

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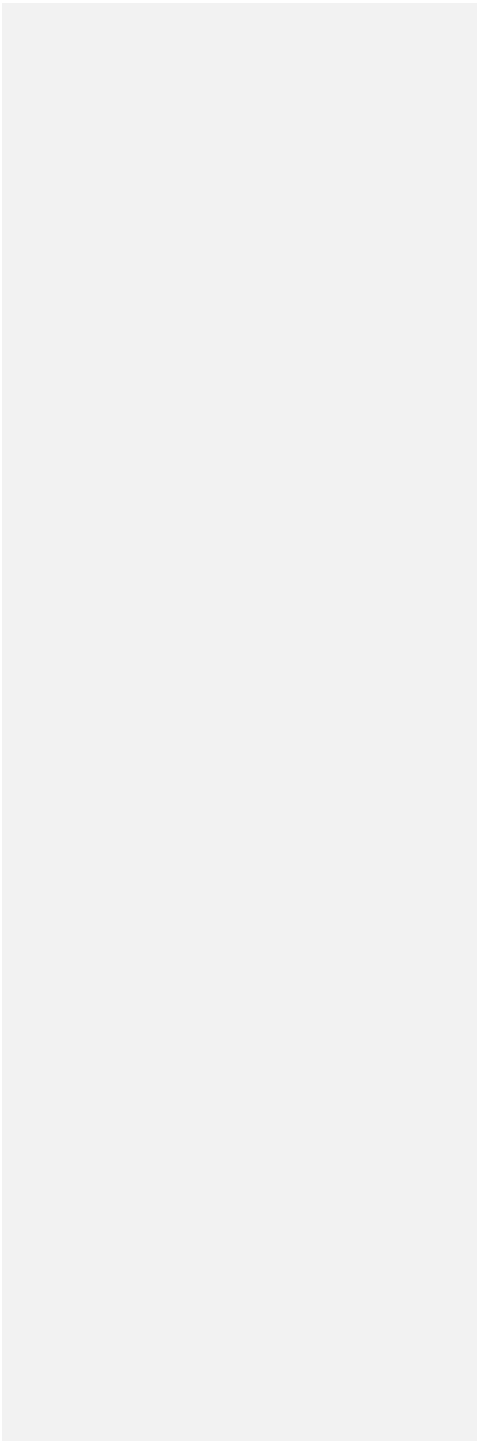
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We do have a few specific suggestions to tweak the proposed Plans which would make it much more likely to increase Community Land Trusts' access to project and homebuyer financing.

Please see attached comments made directly to excerpts from both the Fannie Mae and the Freddie Mac Proposed Underserved Markets Plans' summary charts.

Sincerely,

**Francis McIlveen**  
**Director of Policy**  
**Northern California Land Trust**  
**Founding member,**  
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**E. Statutory Activity: Other comparable State or local affordable housing**

#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
1	Consider possible expansion of Fannie Mae's multifamily affordable housing (MAH) definition to support State and local efforts to preserve affordable housing for very low- and low-income families and purchase mortgages (Partner and Innovate, Do What We Do Best).	<ul style="list-style-type: none"> <li>▪ Conduct a review of at least five State and local (total) affordable housing programs that do not currently meet Fannie Mae's definition of MAH, and thus are not eligible for the beneficial underwriting criteria used for MAH transactions.</li> <li>▪ Based on this review, determine appropriate expanded guidelines and/or delegation for loans in one to three of these States or localities to be considered as an MAH transaction.</li> <li>▪ Approve a streamlined pre-review and/or delegation for each of the newly</li> </ul>	Loan Product	<ul style="list-style-type: none"> <li>▪ Purchase between 10 and 15 loans secured by properties under Fannie Mae approved State or local programs.</li> <li>• <b>Baseline:</b> Fannie Mae does not track mortgages by this type of transaction so it is unable to provide a Baseline.</li> <li>▪ Review five other State and/or local (total) affordable housing programs that could benefit from streamlined guidelines and/or delegation in order to increase liquidity to those States/localities.</li> <li>▪ Based on this review, determine appropriate</li> </ul>	Loan Purchase	<ul style="list-style-type: none"> <li>▪ Purchase between 10 and 15 loans secured by properties under Fannie Mae approved State or local programs.</li> <li>▪ Review five other State and/or local (total) affordable housing programs that could benefit from streamlined guidelines and/or delegation in order to increase liquidity to those States/localities.</li> </ul>	Loan Purchase



**E. Statutory Activity: Other comparable State or local affordable housing programs.**

#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
				<ul style="list-style-type: none"> <li>Approve and document a streamlined pre-review and/or delegation for each of the newly approved State or local programs.</li> </ul>			

**F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).**

#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
1	Design and grow an effective approach to make purchases of small multifamily loans from financial entities with \$10 billion or less in assets and increase purchases (Test and Learn, Partner and Innovate, Do What We Do Best).	<ul style="list-style-type: none"> <li>Conduct outreach and research to determine an effective approach to increase purchases of small multifamily loans from institutions with \$10 billion or less in assets, including:                             <ul style="list-style-type: none"> <li>Identifying at least 10 of these institutions.</li> <li>Working with at least five DUS lenders to</li> </ul> </li> </ul>	Loan Product	<ul style="list-style-type: none"> <li>Build on the outreach and research conducted in Year One, determine parameters of the program and choose at least four lenders to participate in aggregating small loans from the subject financial institutions.</li> <li>Identify, analyze, and approve at least three</li> </ul>	Loan Product	<ul style="list-style-type: none"> <li>Purchase at least 45 small affordable loans from institutions with \$10 billion or less in assets.                             <ul style="list-style-type: none"> <li><b>Baseline:</b> Fannie Mae does not track whether the institutions that originated the loans it acquired on small multifamily rental properties have assets of \$10 billion or less, so</li> </ul> </li> </ul>	Loan Purchase





**F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).**

#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
		<p>build or enhance correspondent networks with them.</p> <ul style="list-style-type: none"> <li>Identifying three different transactional structures that are appropriate to use to purchase loans under this Objective.</li> <li>In the event that there are less than two DUS lenders interested in this undertaking, establish at least two "Special Affordable Small Loan Lender" relationships as a pilot program with other financial entities that would have the capacity and knowledge to become a Fannie Mae lender, with a special focus on affordable housing preservation and/or small loans, (e.g., an FHLB with member banks that meet FHFA's asset size or a national</li> </ul>		<p>underwriting/documentation/asset management changes which could be tested in the pilot program.</p> <ul style="list-style-type: none"> <li>Commence the pilot program by end of Q4.</li> </ul>		<p>it is unable to establish a Baseline.</p>	

**Comment [FM1]:** The CCLTN members have several projects which would fit into this category, and we have been very active in promoting and help shape Small Site acquisition/rehab loan products in the San Francisco Bay Area to target small multi-family rentals which are currently rent controlled, but at risk of becoming market rate due to sale to speculators who 'reposition' rental properties.

We would strongly encourage Fannie Mae to take the strategy of focusing on key markets (such as California, Oregon & Washington, Florida, North East, Upper Mid-West, etc.) and within those market to target DUS 10 lenders; and additionally, to target 15 Special Affordable Small Loan Lenders spread out over wider markets. Our experience is that none of the larger, national lenders (such as BofA) underwrite competitive multi-family loans, and CDFI loans come with much more expensive rates & fees. The lenders really filling this niche are smaller, local/regional banks that have much more hands on knowledge/experience/relationships with their markets and real estate. For example, here in the Bay Area, Banks such as Presidio Bank, Mechanics Bank, Community Bank of the Bay, etc.



<b>F. Regulatory Activity: Financing of small multifamily rental properties (12 C.F.R. § 1282.34 (d) (1)).</b>							
#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
		CDFI with small multifamily loan expertise.)					

<b>G. Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15 percent; and (b) where the savings generated over the improvement's expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d) (2)).</b>							
#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
1	Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about energy and water efficiency lending	The Year by Year Actions and Evaluation Areas for this Objective are set forth in Regulatory Activity H, Objective #1 below.					



**I. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).**

#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
1	Conduct outreach and market research through engagements with lenders and cross-functional industry representatives to identify and analyze market challenges, provide information about affordable lending products, facilitate the delivery of loans, and maintain a communication feedback loop to facilitate a continuous improvement process. (Analyze, Partner and Innovate).	<ul style="list-style-type: none"> <li>▪ Engage 10 Fannie Mae lenders and two HFA.</li> <li>▪ Engage five CLT, below market rate programs, and/or other shared equity program providers (total), and one national industry association.</li> <li>▪ Establish one advisory group that holds one annual meeting.</li> <li>▪ Participate in one key industry conference.</li> <li>▪ Produce and distribute educational materials that provide clarity on loan eligibility and delivery requirements to:                             <ul style="list-style-type: none"> <li>• 15 Fannie Mae lenders.</li> <li>• Five program providers.</li> </ul> </li> <li>▪ Host two lender webinars.</li> </ul>	Outreach	<ul style="list-style-type: none"> <li>▪ Engage 10 Fannie Mae lenders and two HFAs.</li> <li>▪ Engage five Community Land Trusts, below market rate programs, and/or other shared equity program providers (total), and one national industry association.</li> <li>▪ Establish one advisory group that holds one annual meeting.</li> <li>▪ Participate in one key industry conference.</li> <li>▪ Produce and distribute educational materials that provide clarity on loan eligibility and delivery requirements to:                             <ul style="list-style-type: none"> <li>• 15 Fannie Mae lenders.</li> <li>• Five program providers.</li> </ul> </li> <li>▪ Host two lender webinars.</li> </ul>	Outreach	<ul style="list-style-type: none"> <li>▪ Engage 10 Fannie Mae lenders and two HFAs.</li> <li>▪ Engage five Community Land Trusts, below market rate programs, and/or other shared equity program providers (total), and one national industry association.</li> <li>▪ Establish one advisory group that holds one annual meeting.</li> <li>▪ Participate in one key industry conference.</li> <li>▪ Produce and distribute educational materials that provide clarity on loan eligibility and delivery requirements to:                             <ul style="list-style-type: none"> <li>• 15 Fannie Mae lenders.</li> <li>• Five program providers.</li> </ul> </li> <li>▪ Host two lender webinars.</li> </ul>	Outreach

**Comment [FM2]:** Given the wide divergence in DUS lending practices on CLT homes, we would encourage a tweak to expand the pool of CLTs and markets to capture a fuller picture of the obstacles to broader access to Fannie Mae loans for CLTs. For example, Wells Fargo happily underwrites mortgages on CLT homes in other markets, but will not do so in California. In California, there is only one consistent lender originating mortgages on CLT homes.



**I. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1202.34 (d) (4)).**

#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
2	Conduct research, acquire data, and analyze findings to understand the challenges and opportunities for preserving the long-term affordability of and for financing and purchasing mortgage loans on shared equity property types and distribute findings (Analyze, Test and Learn).	<ul style="list-style-type: none"> <li>Perform an analysis of Fannie Mae's portfolio of shared equity loans.</li> <li>Conduct one economic study and one case study specific to shared equity programs and mortgage loans.</li> <li>Publicize one analysis of findings.</li> </ul>	Outreach	<ul style="list-style-type: none"> <li>Perform an analysis of Fannie Mae's portfolio of shared equity loans.</li> <li>Conduct one economic study and one case study specific to shared equity programs and mortgage loans.</li> <li>Publicize one analysis of findings.</li> </ul>	Outreach	<ul style="list-style-type: none"> <li>Perform an analysis of Fannie Mae's portfolio of shared equity loans.</li> <li>Conduct one economic study and one case study specific to shared equity programs and mortgage loans.</li> <li>Publicize one analysis of findings.</li> </ul>	Outreach
3	Increase access to Fannie Mae financing by making changes to loan products that increase the population of loans eligible for sale to Fannie Mae, simplify product parameters and loan requirements,	<ul style="list-style-type: none"> <li>Create variance terms for one or more changes to Fannie Mae loan products.</li> <li>Conduct one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.</li> <li>Engage five Fannie Mae lenders to discuss</li> </ul>	Loan Product	<ul style="list-style-type: none"> <li>Create variance terms for one or more changes to Fannie Mae loan products.</li> <li>Conduct one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.</li> <li>Engage five Fannie Mae lenders to discuss</li> </ul>	Loan Product	<ul style="list-style-type: none"> <li>Create variance terms for one or more changes to Fannie Mae loan products.</li> <li>Conduct one economic and operational impact analysis to determine feasibility of Fannie Mae purchase of loans under the variance terms.</li> <li>Engage five Fannie Mae lenders to discuss</li> </ul>	Loan Product

**Comment [FM3]:** We feel that this would be woefully inadequate to capture the differences between Shared Equity Programs. We in particular would want to see an economic study and a case study dedicated to the Community Land Trust model—particularly to appreciate the dramatic impact of index-pegged resale formulas in high-cost markets such as California.



**I. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).**

#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
	and maintain appropriate risk controls (Test and Learn).	<p>opportunities and challenges to sell variance program loans to Fannie Mae.</p> <ul style="list-style-type: none"> <li>▪ Issue one or more variances to select lenders.</li> </ul>		<p>opportunities and challenges to sell variance program loans to Fannie Mae.</p> <ul style="list-style-type: none"> <li>▪ Issue one or more variances to select lenders.</li> </ul>		<p>opportunities and challenges to sell variance program loans to Fannie Mae.</p> <ul style="list-style-type: none"> <li>▪ Issue one or more variances to select lenders.</li> </ul>	
4	Purchase shared equity mortgage loans (Do What We Do Best).	<ul style="list-style-type: none"> <li>▪ Purchase between 200 and 250 shared equity mortgage loans.</li> <li>• <b>Baseline:</b> Fannie Mae's current loan guidelines do not require an affordability term of at least 30 years after recordation as do the shared equity loans qualifying for Duty to Serve credit under the Regulations. Moreover, we do not identify or track those loans we acquire which may happen to have an affordability terms of at least 30 years. Accordingly, we are</li> </ul>	Loan Purchase	<ul style="list-style-type: none"> <li>▪ Purchase between 250 and 300 shared equity mortgage loans.</li> </ul>	Loan Purchase	<ul style="list-style-type: none"> <li>▪ Purchase between 400 and 500 shared equity mortgage loans.</li> </ul>	Loan Purchase

**Comment [FM4]:** We would encourage Fannie Mae to significantly increase this goal. With ~ 250 Community Land Trusts, with over 5,000 units of CLT housing nationwide, it is very likely that Fannie Mae *already* meets this annual goal with existing CLT homes, not to mention Inclusionary Zoning and other BMR programs nationwide. We would suggest that, in order to make an earnest effort at increasing access for Shared Equity programs, that Fannie Mae establish an *approximate* baseline, i.e. that Fannie Mae identify the number of mortgages done last year on CLT and other affordable housing program properties.



**I. Regulatory Activity: Shared equity programs for affordable housing preservation (12 C.F.R. § 1282.34 (d) (4)).**

#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
		unable to establish a Baseline.					
5	Determine potential role for multifamily financing in conjunction with Single-Family shared equity efforts (Analyze, Partner and Innovate).	<ul style="list-style-type: none"> <li>Coordinate with Fannie Mae Single-Family as it conducts outreach actions to key stakeholders in the shared equity market.</li> <li>Conduct outreach with at least three DUS Lenders active in cooperative financing.</li> <li>Conduct outreach with at least three key stakeholders in multifamily shared equity and similar housing models to determine what, if any, role Fannie Mae may play.</li> </ul>	Outreach	<ul style="list-style-type: none"> <li>Coordinate with Fannie Mae Single-Family as it conducts outreach actions to key stakeholders in the shared equity market.</li> <li>Conduct outreach with at least three DUS Lenders active in cooperative financing.</li> <li>Conduct outreach with at least three key stakeholders in multifamily shared equity and similar housing models to determine what, if any, role Fannie Mae may play.</li> </ul>	Outreach	<ul style="list-style-type: none"> <li>Coordinate with Fannie Mae Single-Family as it conducts outreach actions to key stakeholders in the shared equity market.</li> <li>Conduct outreach with at least three DUS Lenders active in cooperative financing.</li> <li>Conduct outreach with at least three key stakeholders in multifamily shared equity and similar housing models to determine what, if any, role Fannie Mae may play.</li> </ul>	Outreach

**Comment [FM5]:** Our highest priority in this area is to see Fannie Mae commit to creating a secondary market investment product for 30 year, fully amortized mortgages for owner-occupied multi-family affordable housing projects, such as Limited-Equity Housing Cooperatives, Resident-Owned (or Controlled) Non-profits, and Zero (or No) Equity Housing Cooperatives. We would like to see a product with underwriting assumptions similar to owner-occupied SFH loan products, i.e. passing on the benefit of a lower-risk profile to borrowers via lower/competitive interest rates. Currently, low-income coop owners are penalized for their participation/ownership through higher financing costs, across the board—the loan products widely available for coops are typically restricted to so-called commercial rental loans with 5 to 10 year terms and 200 to 300 basis points higher interest rates (than SFH mortgages). So not only are these low-income owners paying higher rates, they are also paying 3 to 5 times as much in financing costs/fees due to the need to regularly refinance for lack of a fully amortized 30 or 40 year loan.

**Comment [FM6]:** We would strongly encourage Fannie Mae to expand the efforts under this topic. We would like to see efforts comparable with those in the SFH category above. Establishment of an advisory board with at least annual meeting, engage 10 program providers (e.g. CLTs, other organizations which create affordable multi-family cooperative housing, as well as, existing coops), attend at least one national, or 4 regional industry conferences, such as the California Co-op Conference hosted by the California Center for Cooperative Development.



M. Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36 (c)(3)).							
#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
1	Establish a pilot program to proactively increase Fannie Mae's purchase of loans and investments that promote Residential Economic Diversity (RED) in conjunction with other Statutory, Regulatory, and Additional Activities as provided under the Plan (Partner and Innovate, Do What We Do Best).	<ul style="list-style-type: none"> <li>In conjunction with the Statutory Activity relating to the provision of debt for LIHTC under Section 42 of the Internal Revenue (LIHTC Debt):               <ul style="list-style-type: none"> <li>Meet with at least seven DUS Lenders to increase awareness of RED and to specifically identify projects eligible for four percent and nine percent LIHTC transactions that may meet the requirements of RED as provided in the Regulations (RED Transaction(s)).</li> <li>Track all potential RED Transactions that come into Fannie Mae for pre-review and perform an analysis of their eligibility for treatment as a RED Transaction.</li> <li>Based on the analysis, review at least two potential guidelines</li> </ul> </li> </ul>	Loan Product	<ul style="list-style-type: none"> <li>For LIHTC Debt:               <ul style="list-style-type: none"> <li>Purchase at least five loans secured by LIHTC properties that qualify as RED Transactions.                   <ul style="list-style-type: none"> <li><b>Baseline:</b> Fannie Mae has not tracked LIHTC Debt loans that would qualify as RED Transactions so is unable to establish a Baseline.</li> </ul> </li> </ul> </li> <li>For Other Housing Programs:               <ul style="list-style-type: none"> <li>Purchase at least three loans that qualify as RED Transactions.                   <ul style="list-style-type: none"> <li><b>Baseline:</b> Fannie Mae has not tracked Other Housing Programs loans that would qualify as RED Transactions so is unable to establish a Baseline.</li> </ul> </li> </ul> </li> <li>For RAD Programs:               <ul style="list-style-type: none"> <li>Purchase at least one</li> </ul> </li> </ul>	Loan Purchase	<ul style="list-style-type: none"> <li>For LIHTC Debt:               <ul style="list-style-type: none"> <li>Purchase at least 10 loans that qualify as RED Transactions.</li> </ul> </li> <li>For Other Housing Programs:               <ul style="list-style-type: none"> <li>Purchase at least three loans that qualify as RED Transactions.</li> </ul> </li> <li>For the RAD Program:               <ul style="list-style-type: none"> <li>Purchase at least three loans that qualify as RED Transactions.</li> </ul> </li> <li>For Workforce Equity               <ul style="list-style-type: none"> <li>If the Workforce Equity pilot program complies with Fannie Mae's Charter Act and receives FHFA approval, make at least one investment in a project that qualifies as a RED Transaction.                   <ul style="list-style-type: none"> <li><b>Baseline:</b> Fannie Mae has not made any investment in Workforce Equity projects in the last</li> </ul> </li> </ul> </li> </ul>	Loan Purchase

**Comment [FM7]:** This priority dove-tails with our efforts to create Small Site Acquisition loan programs, which are often targeting mixed-income projects (from 50 to 120% AMI).



M Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36 (c)(3)).								
#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor	
		<p>and/or incentives that could increase the volume of LIHTC deals that qualify as RED Transactions.</p> <ul style="list-style-type: none"> <li>▪ In conjunction with the Statutory Activity relating to participating in other State and local programs (Other Housing Programs):               <ul style="list-style-type: none"> <li>• As part of the review of Other Housing Programs, identify programs that could potentially generate transactions that qualify as RED Transactions.</li> <li>• When considering expanded guidelines and/or delegation for loans in Other Housing Programs, include at least one enhancement and/or incentive for properties that could facilitate the funding of RED Transactions.</li> </ul> </li> </ul>		<p>loan (out of the proposed RAD Program purchase goals) that qualifies as a RED Transactions.</p> <ul style="list-style-type: none"> <li>○ <b>Baseline:</b> Fannie Mae has not proactively tracked RAD transactions that would qualify as RED Transactions so is unable to establish a Baseline.</li> <li>▪ For Workforce Equity:               <ul style="list-style-type: none"> <li>• As part of any revision to any approved Workforce Equity pilot program, identify ways to seek out opportunities to finance RED Transactions.</li> </ul> </li> </ul>			three years.	





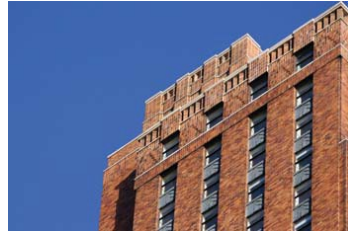
<b>M Residential Economic Diversity Activity (12 C.F.R. §§ 1282.32 (d)(3) and 1282.36 (c)(3)).</b>							
#	Objective	Year 1 Actions	Year 1 Evaluation Factor	Year 2 Actions	Year 2 Evaluation Factor	Year 3 Actions	Year 3 Evaluation Factor
		<ul style="list-style-type: none"> <li>▪ In conjunction with the Regulatory Activity relating to participating in the RAD program (RAD Programs):               <ul style="list-style-type: none"> <li>• Meet with seven public housing authorities in high opportunity areas to determine the potential to finance RAD developments that qualify as RED Transactions.</li> </ul> </li> <li>▪ In conjunction with the Additional Activity: Workforce Equity               <ul style="list-style-type: none"> <li>• As part of the design of any approved Workforce Equity pilot investment program, plan to proactively seek out opportunities to finance RED Transactions.</li> </ul> </li> </ul>					

# Duty to Serve

## Underserved Markets Plan 3-Year Activities and Objectives

(By Evaluation Area and Year)

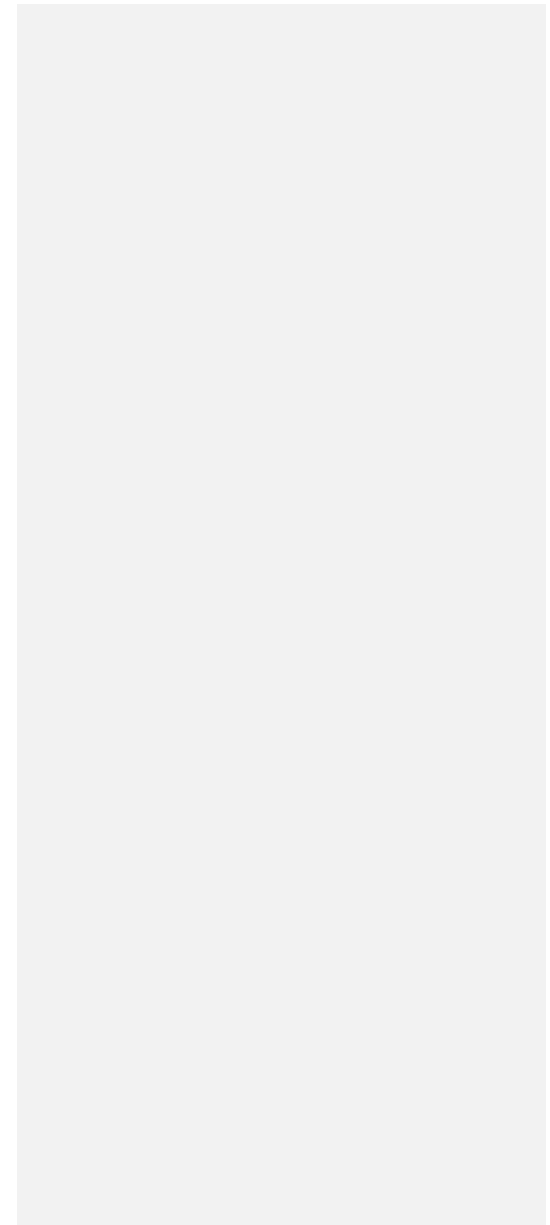
### Affordable Housing Preservation



Activities and Objectives	EVALUATION AREA				PLAN YEAR		
	Loan Purchase	Loan Product	Outreach	Investment	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)
<b>Activity 1 – Low Income Housing Tax Credits (Debt): Statutory Activity</b>							
Objective A: Provide Liquidity and Stability Through LIHTC Loan Purchases	✓				✓	✓	✓
Objective B: Develop an Offering with a More Efficient Origination Path for LIHTC Preservation		✓			✓	✓	
Objective C: Develop an Offering to Close Capital Gaps for LIHTC Transactions		✓			✓	✓	
<b>Activity 2 – Section 8: Statutory Activity</b>							
Objective A: Provide Liquidity and Stability Through Section 8 Loan Purchases	✓				✓	✓	✓
Objective B: Develop an Offering with a More Efficient Origination Path for Section 8 Preservation		✓			✓	✓	
Objective C: Develop an Offering to Close Capital Gaps for Section 8 Transactions		✓			✓	✓	
<b>Activity 3 – HUD Rental Assistance Demonstration Program: Regulatory Activity</b>							

# Duty to Serve

Objective A: Provide Liquidity and Stability Through RAD Loan Purchases	✓				✓	✓	✓
Objective B: Develop a New Offering to Close Capital Gaps for RAD Transactions		✓			✓	✓	
<b>Activity 4 – Section 515: Statutory Activity</b>							
Objective A: Develop a New Offering for USDA Section 515 Preservation		✓			✓	✓	
Objective B: Purchase Loans on USDA 515 Properties	✓						✓
<b>Activity 5 –Financing of Small Multifamily Rental Properties: Regulatory Activity</b>							
Objective A: Develop a New Offering for Small Balance Loan Pool Securitization		✓			✓	✓	



# Duty to Serve

## Affordable Housing Preservation



Activities and Objectives	EVALUATION AREA				PLAN YEAR		
	Loan Purchase	Loan Product	Outreach	Investment	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)
Objective B: Develop a New Offering for Small Balance Loan Pool Credit Enhancement		✓			✓	✓	
Objective C: Develop a New Offering for Small Balance Loan PC Securitization		✓				✓	✓
Objective D: Purchase/Guaranty Seasoned Small Balance Loans from Small Financial Institutions	✓						✓
<b>Activity 6 – Energy or Water Efficiency Improvements on Multifamily Rental Properties: Regulatory Activity</b>							
Objective A: Publish an Annual Study of Energy and Water Efficiency Through the Green Advantage Program			✓		✓	✓	✓
<b>Activity 7 – Energy or Water Efficiency Improvements on Single-Family, First Lien Properties: Regulatory Activity</b>							
Objective A: Provide The Market with Broad Empirical Information About the Impact of Energy Efficiency on Property Values and Loan Performance		✓			✓		
Objective A: Provide The Market with Broad Empirical Information About the Impact of Energy Efficiency on Property Values and Loan Performance			✓			✓	✓
Objective B: Develop Valuation Data Collection Guidelines That Factor in Energy-Efficient Property Features		✓			✓		✓
Objective B: Develop Valuation Data Collection Guidelines That Factor in Energy-Efficient Property Features			✓			✓	
Objective C: Develop Additional Product Flexibilities to Support Energy Efficiency		✓			✓	✓	
Objective D: Develop Loan Purchase Tracking Capabilities		✓			✓		
<b>Activity 8 – Shared Equity Programs for Affordable Housing Preservation: Regulatory Activity</b>							
Objective A: Invest in Research and Development of a Shared Appreciation Funding Model				✓	✓		
Objective B: Increase Market Awareness of Shared Equity Programs			✓		✓	✓	✓
Objective C: Develop Comprehensive Underwriting Guidelines to Facilitate Origination of Loans Under Shared Equity Programs		✓			✓	✓	

**Comment [FM8]:** We are happy to see Freddie Mac's intention to create Shared Equity Loan products. However, we would strongly encourage Freddie Mac to include much more substantive detail in their efforts, i.e. a level of detail commensurate with Fannie Mae's proposal. Specifically, we wish to see a commitment to:

1. Actually creating a family of loan products, which would include a product specifically targeting Community Land Trust SFHs and coops.
2. Actually purchasing a set # of such loans
3. Committing to working with a set # of CLTs (and other Shared Equity programs) in each of the major markets around the country, as participants in the process of creating the underwriting criteria and loan programs.

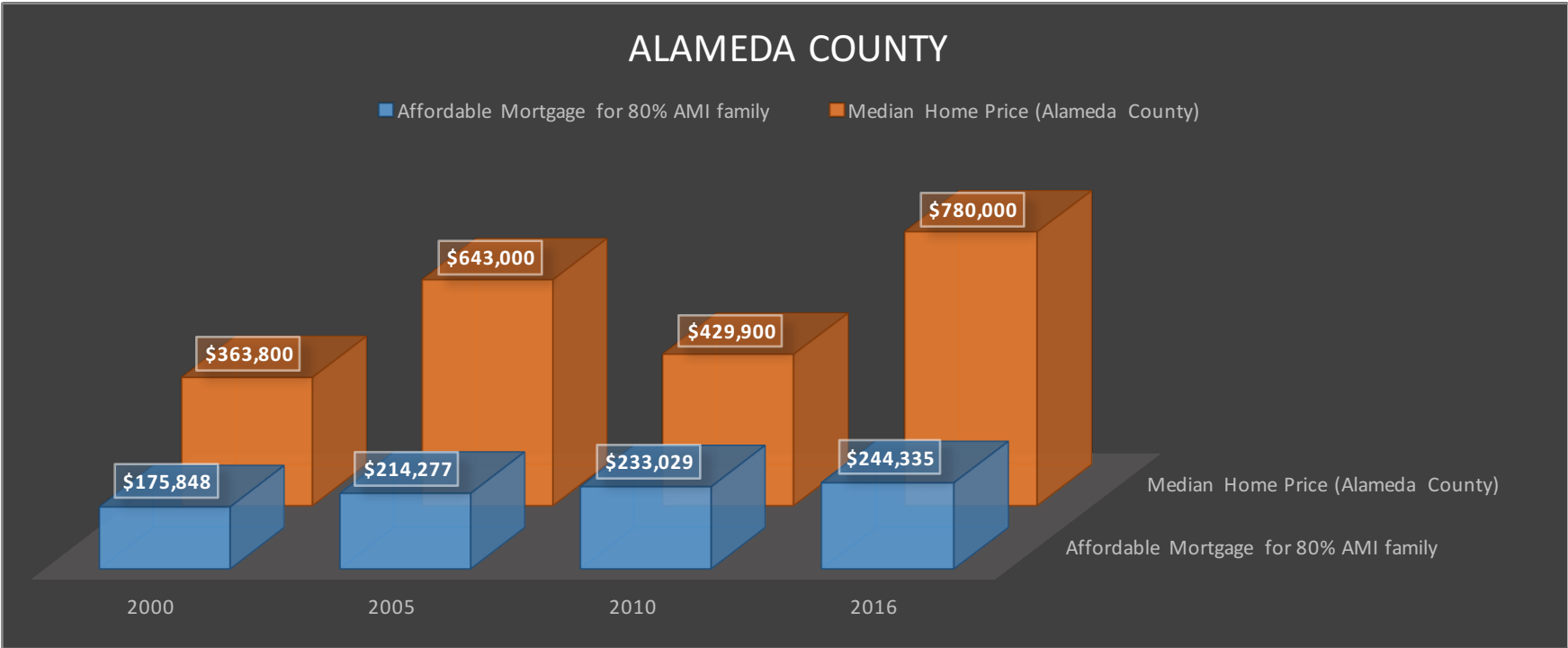
Freddie Mac's Duty to Serve Underserved Markets Plan must receive a non-objection from FHFA before becoming effective. The Objectives in the proposed and final Plan may be subject to change based on factors including public input, FHFA comments, compliance with Freddie Mac's Charter Act, safety and soundness considerations, and market 6

# Subsidy Retention in Real \$

## Assumptions:

- Based on the Northern California Land Trust's 40 units of CLT homes (in Berkeley & Oakland)
- Actual \$ amount original public subsidies = \$28,760 (per unit average)
- Current restricted CLT value = \$111,860 (per unit average)
- Current market value = \$442,567 (per unit average, based on appraisals & comparable sales past 6 months)
- 'Subsidy Gap' = \$330,708 (amount of subsidy necessary to cover difference between the current restricted CLT price and market value of unit)

# What Low income families can afford v.s. the Market Median Price



How Community Land Trusts have given governments a 1,150% return on public investment.

