



Housing Assistance Council

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The Honorable Mark Calabria
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington DC 20219

Re: Duty to Serve Modifications RFI Comments

Dear Director Calabria,

The Housing Assistance Council (HAC) appreciates the opportunity to offer comments on the Enterprises' (Fannie Mae and Freddie Mac) proposed modifications to their 2018-2020 Duty to Serve Underserved Market Plans. Specifically, we would like to share our concern about the Enterprises' proposals to eliminate their purchase goals for USDA Section 515 properties.

HAC helps build homes and communities across rural America. Founded in 1971, headquartered in Washington, D.C. and working in all 50 states, HAC is a national nonprofit and a certified community development financial institution (CDFI). We are dedicated to helping local rural organizations build affordable homes and vibrant communities. We provide below-market financing, technical assistance, training and information services. HAC also serves as rural America's "Information Backbone" with leading public and private sector institutions relying on HAC's independent, non-partisan research and analysis to shape policy.

HAC previously commented on the 2009 Advanced Notice of Proposed Rulemaking, the 2010 Proposed Rule on Duty to Serve, the 2016 Final Duty to Serve Rule, and the first three-year Underserved Markets Plans from the Enterprises in 2017. HAC is also scheduled to participate in the upcoming Duty to Serve listening sessions, and is pleased that the Federal Housing Finance Agency (FHFA) and the Enterprises are now preparing for the next round of Underserved Markets Plans. With over 48 years of service to public, nonprofit, and private organizations throughout the rural United States, HAC is uniquely positioned to provide comments and insights on the Underserved Markets Plans.

HAC Strongly Encourages Both Enterprises to Continue Section 515 Preservation Activity and Efforts

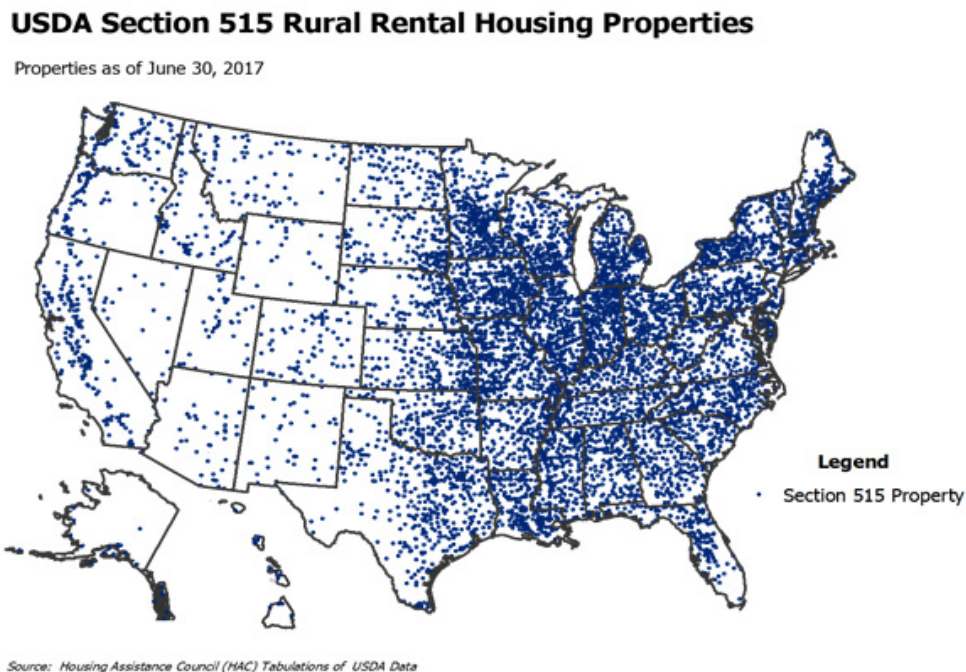
Among the proposed modifications that the Enterprises submitted for their current Underserved Market Plans are proposals from both Enterprises to eliminate their purchase goals for USDA

Section 515 properties. This modification, should it be approved, would be at odds with the rural rental preservation objective in Duty to Serve.

Affordable rental options in rural America are not only sparse, they are also declining. An important source of housing in many rural communities are rental homes financed by the U.S. Department of Agriculture (USDA). Today there are over 13,000 USDA Section 515 rental properties providing more than 400,000 affordable homes to families and individuals across rural America. However, funding for the multifamily-focused Section 515 program has been cut dramatically and no new USDA direct-financed rental housing has been funded since 2011. Additionally, because Section 521 Rental Assistance is tied to the property's mortgage in the Section 515 program, the existing properties are in danger of losing their affordability as their mortgages mature.¹

Eighty-seven percent of all U.S. counties have at least one USDA multifamily rental property.² Section 515 multifamily units are sometimes the only affordable rental housing in our country's smallest and most underserved communities. Figure 1, below, shows the concentration of Section 515 properties across our country.

Figure 1.



¹ Housing Assistance Council. *A Platform for Preservation*. September 2018. <http://www.ruralhome.org/sct-information/mn-hac-research/mn-rrr/1602-rpt-platform-for-preservation>

² Ibid.


Maturing mortgages are the most pressing preservation issue for Section 515 properties – and thus for rural rental preservation more broadly. Mortgage maturity projections indicate that an average of 74 properties (or 1,788 units) per year will leave the program from 2016 to 2027. Maturities will then continue over three phases lasting four to five years each, with each involving about 2,800 to 3,000 properties containing about 82,000 to 92,500 units. Over 20 percent of the properties are expected to exit the program during each of these three phases.³

In the modifications, Fannie Mae proposes to “eliminate [Section 515] loan purchase actions and change evaluation area type from loan purchase to outreach; add technical assistance and research tasks.”⁴ Freddie Mac proposes to simply eliminate the loan purchase goal entirely without adding other evaluation areas.⁵ HAC requests that FHFA decline Freddie Mac’s Modification to remove their USDA Section 515 Goals until a replacement for substantive or measurable activity to preserve Section 515 properties is presented.

Understanding that both Enterprises have made significant effort to engage with USDA on this topic, HAC nevertheless feels that the goal of Section 515 loan purchases is too important and pressing to eliminate from the Underserved Market Plans. The rising tide of maturing mortgages is a true crisis for rural affordable rental housing, and the Enterprises are positioned to play a key role in preserving these invaluable units for rural families. While we understand the frustration that the Enterprises feel around the process of completing a subordination agreement with USDA, we encourage the Enterprises to keep the completion of such an agreement in their plan for the coming year. The Housing Assistance Council stands ready and willing to assist in dialogue and negotiation between the Enterprises and USDA to continue fostering engagement and progress on USDA Section 515 preservation efforts.

Thank you for taking the time to consider these comments on the Enterprises’ proposed Duty to Serve Underserved Market Plan modifications.

Sincerely,



David Lipsetz
CEO, Housing Assistance Council

³ Housing Assistance Council. *A Platform for Preservation: Executive Summary*. September 2018. http://www.ruralhome.org/storage/documents/publications/rrreports/A_Platform_For_Preservation_EXECUTIVE%20SUMMARY.pdf

⁴ FHFA. *Request For Input On Fannie Mae And Freddie Mac Proposed Modifications To Their 2018-2020 Duty To Serve Plans*. October 2018. Pg. 6. <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/Modifications-RFI-2019.pdf>

⁵ Ibid. Pg. 7.