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August 2, 2024

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Attention: Duty to Serve 2025-2027 RFI
Federal Housing Finance Agency
Ninth Floor
400 Seventh Street SW
Washington, DC 20219

Re: Duty to Serve 2025-2027 Request for Input

On behalf of the National Association of Housing and Redevelopment Officials (NAHRO), I would like to offer the following comments to the Federal Housing Finance Agency (FHFA) in response to the Duty to Serve 2025-2027 Request for Input.

NAHRO, which was established in 1933, is a membership organization of 26,000 housing and community development providers and professionals throughout the United States. NAHRO members create and manage affordable housing for low- and middle-income families and support vibrant communities that enhance the quality of life for all. NAHRO members administer more than 3 million homes for more than 8 million people.

Please find our comments on FHFA's Duty to Serve 2025-2027 Plan below.

Do the proposed 2025-2027 activities and objectives address the most relevant obstacles to liquidity in the applicable underserved market?

NAHRO is pleased to see FHFA's 2025-2027 plan include many activities that we believe will lessen obstacles to liquidity in underserved markets. NAHRO supports Fannie Mae's plans to increase liquidity to nonprofits that own manufactured housing (FN_MH_Comm Govt_1), purchase loans secured by properties served by the Section 8 program (FN_AHP_Sec 8_1), increase preservation of existing USDA 515 properties and purchase 515 loans (FN_AHP_Sec 515_1), support technical assistance programs to help preserve Section 515 properties (FN_AHP_Sec515 TA_2), expand the multifamily affordable housing definition to support additional state and local programs (FN_AHP_State Local_1), purchase RAD loans (FN_AHP_State Local_1), and invest in LIHTC properties including housing associated with other statutory and regulatory activities (FN_RH_LIHTC Rural_1). NAHRO also supports Freddie Mac's plans to engage in LIHTC equity investment in rural high needs regions and populations (FR_RH_HN LIHTC_C and _D), increase LIHTC investment in small multifamily rental properties in rural areas (FN_RH_Small

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MF_Rental_1), and provide liquidity and stability through LIHTC loan purchases, Section 8 loan purchases, , RAD, and USDA Section 515 loan purchases (FR_AHP_LIHTC Debt_A, FR_AHP_Sec 8_A, FN_AHP_State Local_1, FN_AHP_Sec 8_1, and FN_AHP, Sec 515_1). Finally, NAHRO supports Freddie Mac's plan to purchase loans with state and local programs (FR_AHP_State Local_A). Many members operate in states with programs that closely parallel national equivalents, including public housing, tenant-based vouchers, tax credits, and other repositioning options.
NAHRO believes that having Fannie Mae and Freddie Mac (the Enterprises) engage in LIHTC equity investment will help absorb an increase in housing credit demand. NAHRO, along with numerous industry partners, are calling for a substantial increase to the overall annual Housing Credit allocation, given the competitive nature of obtaining tax credits and the well documented lack of affordable housing in the United States. The Housing Credit program is the largest source of capital supporting the affordable housing inventory. The program is a critical source of equity and is often an important financing component to the federal programs that NAHRO members work with, including the Rental Assistance Demonstration (RAD), Choice Neighborhoods Initiative (CNI), HOME Investment Partnerships Program (HOME), and the Community Development Block Grant (CDBG).

The expansion of the overall Housing Credit allocation would ultimately leave a demand gap that must be filled by additional investors. As a reliable source of capital, investments from the Enterprises could play a stabilizing role in the Housing Credit market by expanding and diversifying the investment pool. However, NAHRO is also sensitive to the concerns that the Enterprises may push private investors out of the Housing Credit market or leave it weak if the entities are scaled back or cease making investments all together, as was the case in 2007 and 2008. NAHRO supports allowing the Enterprises to resume equity investments if FHFA mandates a reasonable cap to their share of the overall Housing Credit market in a year.

Are the proposed objectives likely to increase liquidity in the applicable underserved market segment?

While NAHRO believes the Enterprises' investments should not be limited to serving only underserved markets and segments, these categories should receive the majority of their support. As such, NAHRO supports the Enterprises' plan to provide liquidity and stability through LIHTC loan purchases, Section 8 loan purchases, and RAD loan purchases, especially in rural and high-needs areas (FR_AHP_LIHTC Debt_A, FR_AHP_Sec 8_A, FR_AHP_State Local_1). This should help to increase liquidity in underserved markets.

NAHRO also supports Fannie Mae's efforts to increase preservation of existing USDA Section 515 properties and 515 loans (FN_AHP_Sec 515_1). As USDA 515 loans reach their 30-year terms, it will be critical to ensure these properties are preserved and remain affordable, however this can be challenging in rural areas with little outside investment. USDA Section 515 properties are a critically important source of affordable housing for moderate-, low-, and very-low income families in rural America and must be preserved.

Finally, while NAHRO does support FHFA's goal of increasing purchases of loans on MHCs owned by government entities, nonprofits, and residents (FN_MH_Comm Govt_1), each community is different. For many communities, sturdy, safe, quality manufactured housing may not currently exist. Additionally, it may exist but be prohibitively expensive. The Enterprises should work closely with housing providers and residents in each area to understand local market conditions.

Are there other activities and objectives the Enterprises should consider adding to their Plans for the manufactured housing and affordable housing preservation markets to address access to liquidity and other housing finance needs in those markets?

<u>Community Housing Development Organization (CHDO) projects</u>: Over 600 States and localities receive annual HOME grant allocations to fund affordable housing activities, including building, buying, and/or rehabilitating rental or homeownership housing, or providing direct rental assistance to low-income families. At least 15 percent of each grant allocation must be set aside for affordable housing projects undertaken by a type of a local nonprofit called CHDO. Jurisdictions that fail to contract or commit its set-aside within a HUD specified timeframe automatically forfeit those funds. Despite HOME's successful track record, Congress has cut funding for the program since 2010. Targeted Enterprise investments could offer the additional financial support that CHDO projects may need, especially those located in the rural markets, saving communities from having to forfeit a valuable affordable housing resource.

<u>Supportive housing projects</u>: Housing Credit investors are wary of projects that involve intensive supportive services on site (e.g., services for the chronically homeless or disabled) due to the ongoing funding that is required to continue operating intensive services. Supportive housing is a critical need in many communities and investment from the Enterprises could strengthen the entire supportive housing portfolio.

<u>Choice Neighborhoods Initiative</u>: The Choice Neighborhoods Initiative (CNI) offers Public Housing Agencies and communities the unique opportunity to transform severely distressed public housing into sustainable, mixed-income housing with access to community assets and services. Large capital grants through programs like the CNI are among the most effective tools to help PHAs address their preservation needs by attracting private capital. Support from the Enterprises through federally guaranteed loans would offer greater financial security to PHAs that want to transform their communities.

<u>Public Housing Mortgage Program (Section 30)</u>: Section 30 of the US Housing Act of 1937, known as the Public Housing Mortgage Program (PHMP), authorizes PHAs "to mortgage or otherwise grant a security interest in any public housing project or other property of the public housing agency." PHA property includes not only real estate but also the PHA's rights to receive funding from HUD through the Public Housing Capital Fund and Public Housing Operating Fund. HUD prohibits the subordination of the so-called "federal interest" in public housing dwelling units under the PHMP. This causes lender interest in participating in the program to be very limited. Furthermore, the unpredictable nature of public housing Capital and Operating Funds have also limited the ability of PHAs to utilize the PHMP.

NAHRO recommends that the Enterprises consider purchasing PHMP loans to make the program more attractive to Public Housing Agencies and lenders. The nation's public housing stock is currently in a precarious financial and physical situation, and the ability to leverage the asset value under the PHMP would be an important resource for addressing meeting the backlog of capital needs and preserving public housing for future generations.

Are there other market conditions that FHFA should consider when assessing the proposed activities and objectives?

Across the country, affordable housing entities of all types face exceptionally high prices to maintain property insurance. If the Enterprises can identify solutions to this problem or methods of supporting agencies paying exceptionally high insurance premiums, they should do so. The price of insurance represents a major obstacle to both the development and preservation of housing in many housing markets.

As always, NAHRO appreciates the ability to offer input on the FHFA's Duty to Serve Plan. NAHRO commends FHFA for its efforts to expand the Enterprises' role in preserving our nation's affordable housing stock at a time the affordability gap continues to widen.

Thank you,

Andrew Van Horn
Policy Analyst