

August 12, 2024

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

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

Submitted Electronically to: www.fhfa.gov/public-input/rfi-on-proposed-2025-2027-dts-plans


Dear Director Thompson:

On behalf of the 1.5 million members of the National Association of REALTORS® (NAR), we submit this letter in response to the Request for Input: Fannie Mae and Freddie Mac Proposed Duty to Serve Plans. NAR appreciates the work the Federal Housing Finance Agency (FHFA) has done to set standards for Fannie Mae and Freddie Mac (the Enterprises) as they prepare to update their Duty to Serve plans for 2025-2027. The updates come at a particularly important time as Americans continue to grapple with a historic lack of housing supply and rising housing costs. These challenges are felt even more strongly by Americans in rural communities and those who have low- and moderate-incomes. The Duty to Serve plans provide a blueprint that will help solve many of the challenges in traditionally underserved communities.

By way of background, the National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,200 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock, along with its availability to the widest range of potential homebuyers.

Background

The Housing and Economic Recovery Act of 2008 amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 to establish an affirmative obligation of the Enterprises to serve three traditionally underserved markets: manufactured housing, affordable housing preservation, and rural housing. Pursuant to the statutory mandate, the Enterprises are required to establish



baselines for each proposed loan purchase and investment goal based on a methodology using historic performance and create targets for these loan purchase and investment objectives. The Enterprises must submit a three-year plan to FHFA detailing the activities and objectives that they will undertake to assist the defined underserved markets.

The most recent iteration of the Duty to Serve plans from the Enterprises provide thoughtful and targeted action that will help serve communities that have traditionally been left behind. The plans are a targeted and necessary approach to some of the most pressing challenges facing consumers, especially in low- and moderate-income communities. The plans also include research and development strategies for certain markets and include ideas for the future as well as helping to rectify historical wrongs.

Multifamily Housing in Rural Communities

NAR applauds the Enterprises and their commitments to multifamily housing, especially in rural communities. While high housing costs had typically been associated with larger cities and coastal locations, rural communities across the country are seeing affordability challenges. The COVID-19 pandemic allowed many high-income earners to leave high-cost cities and move to rural parts of the country while keeping their previous job. Areas that were already tight on housing saw increased demand from new, high-income residents. Research has shown that rural communities experienced a 36% price increase post-COVID, while higher-density, urban communities saw price growth of 21% on average.¹


The Enterprises commitment to acquiring multifamily loans in rural areas for low- and moderate-income renters and buyers will help ease this burden. Any efforts to increase housing supply, especially affordable housing, should be prioritized. While many are not in a position to afford a home in some areas, affordable and stable renters make up the next generation of homebuyers. The support for multifamily housing in rural areas will help to bring stability and strength to rural communities.

Research

NAR also appreciates the Enterprises' commitment to researching issues that are facing rural buyers and renters. A clearer snapshot of the most pressing housing issues for rural communities will help the Enterprises and FHFA tailor future Duty to Serve plans and could also advise future iterations of the Equitable Housing

¹ "The Geography of Pandemic-Era Home Price Trends and the Implications for Affordability." The Harvard Joint Center for Housing Studies.

https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_geography_home_price_trends_hermann_whitney_2024.pdf



Finance Plans that have been proposed and executed by FHFA and the Enterprises.

Heirs' Property

The attention from both Enterprises to the issue of heirs' property, land that is passed down informally through the family and therefore may create title issues, is also an important aspect of the Duty to Serve plans and a way to address historical discrimination. While the issue of heirs' property can affect any landowner across the country, it shows up more often for Black families because they are less likely to have a will. Research has shown that from 1910 to 1997, Black farmers lost more than 90 percent of the 16 million acres they owned, resulting in a cumulative loss of \$326 billion.² NAR strongly supports safeguarding the property rights of heirs' property owners, and in 2022, we urged state REALTOR® associations to support legislation which provides due process protections for owners of heirs' property. Owning a home and land have traditionally been the greatest sources of generational wealth. Heirs' property prevents families from taking advantage of the wealth-building benefits of land and homeownership when true ownership has been difficult to establish.

The issue of heirs' property has been given more attention recently with the introduction of legislation such as the HEIRS Act of 2024 which NAR endorsed, and NAR is pleased that both Enterprises are committing resources to create strategies to increase mortgage opportunities for rural residents of heirs' property, as well as resolving heirs' property rights issues. Connecting lawyers with communities in need can preserve homeownership and the transfer of wealth, and funding these initiatives will help provide assistance to those who may not have the economic means. Community organizations, such as nonprofits and religious organizations, are also trusted partners and have established presence in neighborhoods. Leveraging their expertise and support for resolving heirs' property issues will take a big step in solving current problems.

Low-Income Housing Tax Credit (LIHTC) Investments

NAR also supports the Enterprises proposed investments in Low-Income Housing Tax Credit (LIHTC) properties to facilitate more affordable multifamily housing in rural areas. These plans also include the promise of increasing liquidity in the LIHTC debt market by purchasing loans secured by LIHTC properties. We believe this support in high-need rural regions will help to ease cost burdens in low- and moderate-income areas.

² "The Contemporary Relevance of Historic Black Land Loss." American Bar Association.

https://www.americanbar.org/groups/crsj/publications/human_rights_magazine_home/wealth-disparities-in-civil-rights/the-contemporary-relevance-of-historic-black-land-loss/

Manufactured Housing Development and Financing

Additionally, the commitments to manufactured housing, both in development and financing, will be useful tools for adding housing supply and finding ways to finance such homes. New developments in manufactured housing are being promoted and adopted by communities across the country. The lower costs of building manufactured residences and the quality of the homes has spurred renewed interest in manufactured dwellings. The Enterprises rightfully place an emphasis on purchasing manufactured housing loans as real property and designing flexible loan products, both of which will eliminate some of the barriers for manufactured home financing. Pursuing policy and industry engagement on manufactured homes will also lower their costs and increase the visibility of newer manufactured housing units and the benefits they can provide.

Energy Efficiency

In an effort to preserve affordable housing, NAR appreciates the plans from the Enterprises to promote energy efficiency. Financing improvements for single-family and multifamily residences will save consumers money and reduce energy consumption. The development of tools to inform the financing of energy efficiency improvements and increasing the purchase of mortgage loans that finance improvements will both lead to sustainable and lasting improvements for affordable housing. Increased education surrounding the programs will also bring visibility to these important initiatives, serving both consumers and the environment.

Condominium Support

Condominiums continue to play an important role in housing affordability. Unfortunately, many condo projects are facing long-term maintenance deferment. In response to the tragic Surfside condominium collapse in Miami in 2021, the Enterprises released new guidelines that prohibited the purchase of loans for units in condos that have significant deferred maintenance or unsafe conditions. NAR supports these critical changes as we all work toward preventing a similar disaster in the future. Unfortunately, the guidelines have shown that many buildings across the country are in need of maintenance and repairs.

One additional idea the Enterprises could consider to support affordable housing would be to fund or study the direction of money to affordable condo projects that are currently in need of significant repairs. Many living in affordable condominiums are facing a one-two punch of living in unsafe conditions and being unable to afford fee hikes to pay for building repairs. This blow is being felt even more strongly in low- and moderate-income communities where condos are often the only option for affordable housing. By directing capital to buildings at risk, the Enterprises can maintain affordable housing stock while also aiding residents and the safety and soundness mandate from FHFA. Repairs will also allow new buyers access to buildings that are currently blacklisted by the

underwriting guidelines. Contributing to the repairs of affordable complexes is a win-win for both residents—current and future—and the Enterprises.

Conclusion

We thank FHFA and the Enterprises for their thoughtful and constructive Duty to Serve plans. Given the current challenges in housing, including the lack of housing supply, the lack of affordable housing units, and this newer, higher-rate environment, the underserved segments that the plans hope to assist could not be more timely. We look forward to working with both FHFA and the Enterprises in accomplishing the goals of the plans as we all work to create a more affordable and more just housing economy. If you have any questions or comments, please feel free to reach out to Matt Emery, NAR's Senior Policy Representative for Financial Services, at MEmary@NAR.Realtor.

Sincerely,



Kevin Sears
2024 President
National Association of REALTORS®