RCAC
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July 10, 2017

Jim Gray
Program Manager
Federal Housing Finance Agency Duty to Serve Program
Office of Housing and Community Investment

Re: Fannie Mae Proposed Underserved Markets Plan

Dear Mr. Gray:

Thank you for the opportunity to comment on the proposed Underserved Markets Plan for Fannie Mae and Freddie Mac (the Enterprises) to meet their Duty to Serve obligations. Rural Community Assistance Corporation (RCAC) is a nonprofit intermediary and Community Development Financial Institution (CDFI) serving rural communities in thirteen western states. Founded in 1978, RCAC provides training, technical and financial resources and advocacy so rural communities can achieve their goals. We have years of experience working in Indian Country and with farmworkers and Colonies in particular. In addition to our comments below, we have also signed a joint letter with other organizations serving persistent poverty communities throughout the country.

Overall, the Enterprises plans include useful data but it appears to us that most of the plans are focused on more data gathering and research and provides too few specific goals to lend and invest in the underserved markets RCAC serves. Where goals are provided, they are low and adjusted downward in anticipation of market and tax law changes. For example, Freddie Mac targets for Low Income Housing Tax Credit (LIHTCs) and Section 8 related loan purchases are reduced by 35 percent.

Some specific areas of concern include:

Manufactured Homes and Manufactured Home Communities (MHC)s – Fannie Mae

A. Only about 30 percent of people who own land use real estate loans to buy units, most use chattel loans. We support education for home buyers by partnering with Housing Counseling agencies, CDFI mortgage lenders and other nonprofits, to help more consumers benefit from conventional mortgages.

B.3. Go beyond a pilot and establish numerical goals for chattel loans. Chattel loans should be targeted to parks owned by nonprofits or resident-owned parks.

C.3-5. Fannie Mae should develop a product for resident-owned and nonprofit-owned parks that allows subordinate debt and rent restrictions. Partnering and investing in CDFIs with long term capital would be a positive way to achieve this goal.

Both Enterprises should review and streamline foundation requirements, which often result in over-engineered, expensive systems that place a burden on low income buyers. Both Enterprises should provide equal treatment for gifts, grants and other down payment assistance products and allow a Combined Loan to Value of 105 percent. Both Enterprises should increase focus on state housing finance agencies to deliver manufactured home products.

Affordable Housing Preservation Market

A**.** We support Fannie Mae's goal of modifying underwriting and credit standards to facilitate purchase of Multifamily Loans to support preservation but Fannie Mae should provide specific goals rather than to simply "increase" its current lending activities. We support Freddie Mac's new proposed offering for Section 8 and LITHC loans and we recommend that they work with CDFIs to originate them. Both Enterprises should recognize the increased funding for Rental Assistance Demonstration (RAD) loans.

C. We support partnering with USDA to offer a streamlined product for Section 515 projects and set higher goals for preservation deals. The proposed purchase of such loans to preserve 5-10 percent of at-risk units should be increased to 20 or 25 percent. CDFIs could and should be used to originate the small and challenging projects.

D. To the extent that Fannie Mae can re-enter Low Income Housing Tax Credit market, it should focus on investments in small rural projects.

Rural Housing Markets

A. Fannie Mae names several specific regions – Appalachia, Miss. Delta, and Colonias, but should also include Indian country. Objective 10 – partnerships to support financial counseling. They should support software such as Home Counselor Online as well as Student Debt counseling.

B.2. NACLI – We support the revitalization of the Native American Conventional Lending Initiative (NACLI) but the goal should be much higher than 275 loans in year 3. We realize that this is a challenge with a current baseline average of 31 loans per year. The history of the HUD 184 product suggests that a higher goal is possible. Partnering with Native and other CDFIs as well as housing counseling agencies would greatly assist in increasing agency performance in this underserved market.

3.We support additional investment for Native American Multifamily Loans but believe the proposed 200-300 units by year 3 is too low.

4.We support specific dollar goals to increase Farmworker Housing debt and LIHTC equity.

5.We support the inclusion of CDFI investments but again, propose that the plan provides a dollar goal.

Thank you again for the opportunity to comment. As mentioned above, we are a signatory to the Persistent Poverty Work Group comments letter. We also support the comments provided the LISC related to Housing Preservation as well as comments provided by CFED related to manufactured housing loans.

Please do not hesitate to contact me at skeasling@rcac.org or at (916) 447-9832 ext. 1002.

Sincerely,

Stanley Keasling
Chief Executive Officer
Rural Community Assistance Corporation
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