Federal Housing Finance Agency
2024 Duty to Serve Public Listening Session (Day 1)
Rural Housing Market
July 15, 2024

Toi Roberts
Hello and welcome to the Federal Housing Finance Agency's 2024 Duty to Serve Markets public listening sessions. I am Toi Roberts, a member of the Duty to Serve team, and I will be emceeing today's listening session. And the session is being recorded.

Thank you all for joining us here today. We are excited to be hosting another series of public listening sessions this year that focuses on all three Duty to Serve Underserved Markets. This year's listening sessions, we are particularly interested in getting our feedback, getting your feedback, on the Enterprise's proposed 2025-2027 Duty to Serve Underserved Market Plans. We will be hosting three listening sessions, one for each Duty to Serve Underserved Market, and for today's session we will be focusing on the Rural housing market.

But before we get started, I would like to first introduce you to the lead of our Duty to Serve Markets team, Supervisory Policy Analyst, Ms. Marcea Barringer.

Marcea Barringer
Thank you, Toi. As Toi just said, I'm Marcea Barringer and I'm the Supervisory Policy Analyst for the Duty to Serve program at FHFA. It's my pleasure today to welcome all of you to this first of our virtual Duty to Serve listening sessions for 2024. As Toi said, today's session is really soliciting feedback on the Enterprise's 2025 through 2027 Duty to Serve Plans with a focus today on the rural housing market. It's also my pleasure today to introduce Ted Wartell, who will be providing our opening remarks.

Ted is associate director of the Office of Housing Mission and Goals in the Office of Housing and Community Investment. Since the creation of the Office of Housing and Community Investment, he has coordinated the oversight of the Enterprise's affordable housing goals, in addition to Duty to Serve, and the Federal Home Loan Bank affordable programs. Before coming to FHFA, Ted served as Director of Regulatory Affairs at the Office of the Comptroller of the Currency. He also served as Chief of Staff for community lending at Fannie Mae and, prior to that, served in the U.S. Small Business Administration, the SBA and the U.S. Office of Management and Budget, OMB. Ted.

Ted Wartell
Thank you so much, Marcea. Let me start with, I'm just going to start with a few thank you's first of all, to Marcea and her team, particularly Toi, for putting all of this together. Toi makes it look all effortless, but believe me, it is not. It takes a lot for all of this to come together. So, thank you very much to Toi.

Also, I'm going to thank, thank you to the team that we worked with at Fannie Mae and Freddie Mac, who put together for all the work that went into putting together the draft Plans and all the work that will come between now and later this year when we finalize these Plans for 2025 and

2027. I think I really appreciate the working relationship that we've had. And mostly I really need to thank all of you for your time. Not only today, but we know it takes a lot of effort to respond to the RFI and, and to attend these listening sessions and prepare remarks, and to review the Plans themselves very carefully. So, thank you very much for that.

I can't tell you how important the public input that we get, that we will get this week and that that we'll receive in our requests for input and to the Duty to Serve program. It's really been a central part of the program since we began. The final regulation was in 2016, and I think we really are very much aware we have a great team here, but a team that's very much anchored in Washington and it's extremely important and helpful to hear from people who are in these markets and working on these issues every day. So, much appreciation from all of us for that.

As Toi and Marcea pointed out, today's discussion is about the rural market. This is a little bit in some ways, a little bit different from the discussions that we'll have in the next two days, which I think largely will build on the experiences under Duty to Serve since 2018, because this year the agency really challenged Fannie Mae and Freddie Mac to take a more comprehensive approach to rural markets. They've been doing work on sort of the most difficult markets in rural areas for quite some time and had successes there but, we really challenged them to look at the rural market as a whole and see what, how they really could, how they are serving and how they could improve some of that support throughout rural markets in the U.S.

So, we are very, very interested to know your sense of what these markets needs are. What is among the ideas that have been proposed, what are the helpful ideas, and how can these Plans can be strengthened going forward? So, looking forward to hearing from all of you today. I'll end just by, on behalf of Director Thompson and I and our entire team, thank you for sharing your thoughts with us today, and I will give it back to Toi.

Toi Roberts
Thank you, Ted. All right. Okay, so before we move forward with the remainder of today's agenda, I do have a few important housekeeping remarks. As you know, we have organized this webinar in order to obtain your input on the Enterprise's next, on the Enterprise's Duty to Serve Plan activities that fall under each of the three Duty to Serve Underserved Markets.

During today's session, FHFA will not discuss the status or timing of any potential rulemaking. If FHFA does decide to engage in a rulemaking on any matters discussed at this meeting, this meeting would not take the place of a public comment process. The rulemaking document would establish the public comment process and you would need to submit your comments, if any, in accordance with the submission instructions that have, I'm sorry, submission instructions in that document. FHFA may summarize the feedback gathered at today's session in a future rulemaking document, if we determine that a summary would be useful to explain the basis of the rulemaking. Also, please keep in mind that nothing said in today's session should be construed as binding or a final decision by the FHFA Director or by FHFA staff.

Any questions we may have are focused on understanding your views and do not indicate a position of FHFA staff or the agency. All right. All right, so with that said, we have a great lineup of speakers here today. We will hear from 14 guest speakers and midway through, we will have a short ten-minute break. Each speaker will have up to seven minutes to speak, and we will try our best to stay on schedule and ask that everyone speaking help us do so as well. I will be chiming in to give each speaker a one minute warning as their time draws to a close. If someone does go over their time, unfortunately, I will have to interrupt in order to help keep us on schedule.

However, if that does happen, speakers are welcome to submit written testimony and their full testimony will be included in the public comments record. Each speaker will have the ability to mute and unmute their microphones throughout the session, but we ask that you keep your microphones muted until it is time to speak. We also ask that all speakers be prepared to turn on your video cameras during your speaking segment.

Finally, as was mentioned earlier, today's listening session will be recorded. FHFA will also prepare a transcript of today's session, which will include the names of all speakers and the organizations they represent. We will post the recording and transcript on FHFA website and YouTube channel, along with any materials being presented today.

Now, before we begin hearing from our stakeholder guest speakers, each Enterprise will speak briefly about today's listening session on the Rural housing market.

First up, we will hear from Fannie Mae. Speaking from the Fannie Mae Duty to Serve team is Mr. Benjamin Navarro.

Benjamin Navarro
Thank you, Toi. Hello, everybody. My name is Ben Navarro, and I lead the Planning and implementation for Fannie Mae's rural Duty to Serve Plan. Thank you to Director Thompson and the FHFA for hosting this session and to all of the participants in advance for your input and guidance that you will share with us today.

The topic of today's listening session is the proposed 2025 to 2027 Rural Plan. But I wanted to quickly mention a few accomplishments from recent years that we believe provide beneficial, immediate or future impact on the rural housing market. Of course, this is not an exhaustive list, but we wanted to highlight the long term support we've provided for developers of housing for high-needs rural populations. This is a model that we intend to maintain for the next three years.

Late in 2023, we published a research paper in partnership with the Housing Assistance Council on the estimated incidence of Heirs' property home ownership in the United States, which in turn informed a large convening of practitioners that we held in 2024, and also informs activities that we're proposing for the next rural Duty to Serve Plan. Fannie Mae's proposed Plan contains six single-family and six multifamily objectives. Readers of the Plan will find that a number, that a number of these activities are new as compared to the current iteration. The first three listed here on the middle column of this slide reflect a commitment to the rural housing market as most broadly defined by the regulation. This is a concept that Ted spoke about a few minutes ago. These are a loan purchase target, a research commitment, and product development efforts that will seek to benefit rural geographies across the country as broadly as possible. The fourth item listed here is a commitment to developing an outreach strategy, outreach strategy in the Colonias. Now that the definition that we helped proposed is in effect for the first time at the outset of a new Plan. The fifth item is an acknowledgment that Fannie Mae is in a position to grow its Native American lending efforts beyond outreach and product development.

Of course, we will still invest heavily in outreach and product innovation for Native American homeownership. But this Plan proposes a transparent and growing loan purchase target. The rightmost column contains a few examples of work that carries over from the current Plan to the proposed Plan, because we believe these efforts have been successful and merit sustained action. We will continue to pursue loan purchase targets in the high-needs rural regions for both single-family and multifamily.

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We will build upon the Heirs' property research and pursue product developments that are both viable for lenders and beneficial for homeowners. And we will continue to support multifamily technical assistance targeted at developers serving high-needs rural populations. That concludes Fannie Mae's opening remarks for today.

I would like to express my thanks again for the opportunity to participate on today's listening session and offer thanks in advance to all of you for sharing your wisdom to help improve our Plans. Thank you.

Toi Roberts
Thank you, Ben. Now we will hear remarks from Freddie Mac and speaking from the Freddie Mac Duty to Serve team is Ms. Erin Persons.

Erin Persons
Thank you, Toi. I echo Ben's thanks to Director Thompson and the FHFA team and all of you for participating in today's session on rural housing. We value the feedback we receive from you today and your succession, your suggestions for how we're going to improve our, on our Plan before it becomes final. We'll also look to further the conversation after our session today, and I encourage you to reach out to me directly to discuss your input in depth.

Although a great deal of thought went into developing our objectives based in part upon feedback received from our industry, industry stakeholders, we welcome perspectives from industry participants and advocates across the ecosystem. We'll go to the next slide. Our proposed 2025 to 2027 Duty to Serve Underserved, Underserved Markets Plan builds on significant progress we've made so far and maps the next phase of our continuing journey. Channeling liquidity into the rural housing market has always been a primary focus. As such we'll continue to buy loans on for sale homes and multifamily properties, excuse me, from our network of lenders will also continue to make equity investments in low income housing tax credits. To support those activities we'll continue to promote and enhance solutions that we created during previous Plan cycles to extend their reach and increase their impacts.

As an example, we Plan to expand on our efforts to enable community development financial institutions to originate loans and sell them to Freddie Mac. We'll also work to boost conventional mortgage lending to Native Americans in tribal areas through our HeritageOne offering, which we launched last fall. Throughout our Plan cycles, we've helped advance Native American housing and homeownership opportunities through support for homebuyer education and counseling as well as for capacity building and technical assistance for native housing organizations.

On the multifamily side, we'll continue to provide the capability to support USDA's 515 properties. In addition, expanding access to the secondary market will help increase our loan purchases and market liquidity. We'll continue our efforts to open more direct and indirect channels for lenders to sell loans on single-family homes to Freddie Mac. This is especially important for CDFIs and small financial institutions that many rural residents rely on for mortgage financing.

We'll also expand access to our multifamily emerging correspondent program, emerging sponsor initiatives and new capital markets executions. Another area where will help lower barriers and creation or retention of affordable housing supply is through expansion of our multifamily and single-family developer capacity building programs into rural areas. As well as seeking to increase access to resources for resolving heirs property rights issues.

Untangling titles will allow those owners to unlock equity in their homes and finance much needed renovations, perhaps through our choice renovation offering. It will also put them in a position to sell their homes if that's their goal. Either way, it will increase the safety and availability of affordable homes. While we have focused most intently on high-needs rural regions and high-needs populations, we have always worked to support rural housing broadly and will make more concerted efforts during the coming Plan cycle to support all rural areas.

As you can see, our slide ends with a single word without which none of this would be possible. Collaboration, whether it's FHFA or our GSE counterparts at Fannie Mae and the Federal Home Loan Banks or industry partner organizations that are our boots on the ground. Further collaboration is necessary to keep increasing our impact in these underserved rural markets across the country.

Freddie Mac has been making a difference every day and laying the foundation for even greater impacts in the future through our Duty to Serve program. Freddie Mac Team thanks you for your contributions to our success today, as together we make a far bigger impact. We welcome your comments on our 2025 to 2027 Plan and look forward to working with all of you to continue creating safe, affordable housing opportunities nationwide. Thank you so much.

Toi Roberts
Thank you, Erin. Okay, so now it looks like we may be running a little over 10 minutes early so hopefully we can have everyone ready as we get through this agenda. Without further ado, we will now begin hearing from our stakeholder guest speakers. And our first speaker is Mr. Dave Castillo from the Native Community Capital.

Dave Castillo
Thanks, do you all have my PowerPoint ready?

All right, thanks. Good morning or afternoon, my name is David Castillo, and I've worked on access to capital for Indian Country for over 25 years. Since 2010, I've served as a CEO for Native Community Capital. Next slide. We're a licensed mortgage bank in Arizona and New Mexico. This is a geography we serve on this slide. Next slide. And these are some of the single-family homes we financed.

We've maintained a 0% loss rate on the transactions financed, which should be a signal to the GSEs that their assessment of risk for these types of transactions on tribal lands is likely unjustified. My comments, therefore, will be restricted to mortgage lending on tribal trust lands for single-family homes.

FHFA posed questions regarding the GSEs proposed 25 through 27 activities and objectives, and if they address the most relevant obstacles to liquidity in the Native American markets and if they are likely to increase liquidity. The answer to those questions is a resounding no. The GSEs proposed acquisition or purchase of single-family loans to tribal members living in Indian areas has been characterized by colleagues and bank employees themselves as abysmal and completely inadequate.

At a recent lenders forum where the topic of mortgage lending on tribal trust lands was discussed in the words of a bank compliance officer himself, he stated, "my colleagues are full of, I'll say my colleagues are full of malarkey. Right, even with a 100% guarantee against loss (he was referring to the HUD 184 Loan guarantee program), they don't want to do these loans", end quote.

I'll add that even with such limited loan purchase targets, even with the new manufactured home product by one of the GSEs, it's no wonder that banks remain stubbornly noncommittal to serving tribal markets. Add to that the National Bankers Association lawsuit to delay implementation of the new CRA regulations and the Supreme Court's overturning Chevron and deference afforded to regulators, it seems banks and the GSEs both will continue to hide behind a business as usual approach that protects shareholder interests and related earnings targets over and above safety of rural stakeholders and the soundness of rural economies.

Another question posed by FHFA relates to other market conditions that FHFA should consider when assessing the proposed activities and objectives. On that topic, I'd like to highlight that both GSEs have proposed to continue to study or provide thought leadership on topics related to homeownership in Indian Country. However, to date and by the GSEs own admission, those efforts have led to little more than a determination that Indian country remains too nascent a market.

Also, Fannie in particular, has stated that it has chosen not to include support for rural small financial institution financing in part, quote, "because compared to other rural loan purchase targets, targets, SFI loan purchases have been atypically variable and difficult to forecast", end quote. Moreover, they state a preference to, quote, "support loan product development for

CDFIs", end quote, as if to suggest that these smaller, mostly unregulated entities might offer a more consistent loan purchase targets.

The logic in those statements is flawed, leading to a non-sequitur by definition. My prediction is that GSEs, after wasting more time, will find they are simply unable to sustain new product development to serve rural tribal geographies. Not unlike when I worked within the secondary market industry myself over a decade ago. The GSEs and banks are sandbagging. They, as the banker stated, don't want to do these loans.

Therefore, my suggestion is that if the GSEs want study of the matter, then they must look inward. Just as Congress has mandated GAO studies of federal agencies such as the Bureau of Indian Affairs and the Department of Housing and Urban Development to address shortcomings in serving tribal communities, so too should FHFA mandate a study or audit of the GSEs and the structural issues that promote little more than poverty programs instead of serious, significant and sustained investment in tribal markets.

In fact, we ourselves commissioned a study. Next slide, please. That is specific to the Arizona and New Mexico markets after the research was complete, we titled it appropriately "Redlining the Reservation: The Brutal Cost of Financial Services Inaccessibility in Native Communities". I suggest that the FHFA select and GSEs pay for an objective third party to replicate the study in the following markets where there are significant native lands - Washington, Oregon and Northern California, Wyoming, Montana, Idaho, Michigan and Minnesota, and South Dakota, North Dakota. I believe what an expanded study will find is what we found affecting tribal lands in the Southwest. That is where conventional financial institutions have retreated from serving citizens living on tribal trust lands, predatory lenders have filled the void.

I'll have much more to say… excuse me, next slide. You'll see some of the data there. But I'll have much more to say at the Rural Housing Roundtable at the White House later this month, and as a new appointee of FHFA's Advisory Committee on Affordable, Equitable and Sustainable Housing in September. Next slide, please.

So, my final comment is that if GSEs will not adequately serve citizens on tribal lands and have the results as shown on this slide here, where Native Americans are paying almost double what non-natives are paying. Again, GSEs will not adequately serve citizens on the tribal lands and still benefit from their designation as a GSE. There must be a consequence. And that is to remain in conservatorship until they commit serious, significant, sustained investment to support the development of mortgage markets on tribal trust lands.

Last year, I proposed the figure of $3.8 billion, which was assessed on one of the nation's major banks for engaging in illegal lending practices and who, by coincidence, have declined to offer mortgage loans on tribal trust lands. In any case, the cost of the GSEs would likely be much higher.

I thank you for your attention and your assistance in helping us improve implementation of the Duty to Serve provisions as related to Native Americans. I stand ready to assist in any additional way you may see fit. Thank you.

Toi Roberts
Thank you, Mr. Castillo. Okay, for our next speaker, we have Dr. Daniel Elkin from Come Dream Come Build.

Daniel Elkin
Thank you. Hello. My name is Daniel Elkin. I'm the Director of Policy at Come Dream Come Build in Brownsville, Texas. We are one of the largest providers of affordable housing in Texas, with most of our work based in persistent poverty communities adjacent or near the US-Mexico border, many of which are in rural or colonia areas.

Our CDFI, the Rio Grande Valley Multi Bank, is a member of the Federal Home Loan Bank of Dallas. We are a seller servicer for both Fannie and Freddie, and we are a member of the Underserved Mortgage Market Coalition, as well as, a founding member for the Partners of Rural Transformation.

I'd like to begin by thanking the FHFA for the opportunity to provide comment today on the Enterprise's proposed 2025-2027 Duty to Serve Underserved Market Plans. There were several positive aspects of the Plans in regards to serving high-needs rural regions. For Fannie Mae, we applaud their pledge to develop single-family requirements that enable CDFI's to access secondary market liquidity more frequently. More room to maneuver in the secondary markets would be a boon to our business model and help capital flow into our communities. We also especially applaud Fannie Mae's commitment to developing a strategy to increase single-family lending in Colonia Census tracts.

FHFA’s recent adoption of a modern colonia definition open up, opens many new possibilities for work to be done in these communities. Colonias exist on a spectrum, not one Colonias economic or demographic journey is the same as another. This moment post definition update begs for the kind of strategic engagement Fannie has committed to, and we seek material commitments to that engagement and outreach.

Alternatively, one area of continued frustration is the lack of flexible products capable of reaching deeper into our higher needs communities. Fannie Mae has removed from their Plan any commitment to a flexible mortgage product, CDFI specific or otherwise, for high-needs rural regions. Freddie Mac has maintained a pledge to design product flexibility, yet despite an excellent example put forth in the form of the HeritageOne product for tribal lands, we have not seen progress on new or flexible products in other high-needs rural regions.

We will continue to push for and suggest product flexibilities that we know work and are sustainable in our market and we have the data to prove it. At the same time, given the circular conversation around products that we've now had for years, we also challenge Fannie and Freddie to expand investment in other parts of the mortgage origination process.

Here at CDCB, we proudly perform the assiduous work of cultivating our clients finances to being home ready. Over the last five years, we have shepherd significant improvement in over 1000 climate, clients credit scores, with over half that number seeing credit score changes of over 40 points. This is long work. This is expensive work requiring countless hours on the part of our counselors and staff.

Increased or expanded direct investments in supports of which we know the GSEs are legally capable of performing would be a tremendous boost. In effect, a widening of our client pipeline would generate more mortgages in our communities. Any time Fannie and Freddie pledges to develop a strategy to originate more single-family mortgages, this component needs to be front and center, especially in Colonias.

We look forward to further developing such a strategy. Thank you again for your time today.

Toi Roberts
Thank you, Dr. Elkin. All right, so our next speaker would be Ms. Samantha Booth from Housing Assistance Council.

Samantha Booth
Thank you, Toi. You have my slides by chance? Thank you.

Thank you to the FHFA for hosting this listening session today. I'm Sam Booth. I'm the government relations manager at the Housing Assistance Council. Next slide, please. HAC is a 50 year old national rural housing nonprofit based in Washington, D.C., but working in rural areas in all 50 states with a focus on areas of persistent poverty. Next slide, please.

HAC has been extremely involved and engaged on Duty to Serve since its inception, and we're also a member of the Underserved Mortgage Markets Coalition. We deeply believe in the power of access to capital and capacity building for rural places and in Duty to Serve's power to effect positive change in both of those areas. There are many aspects of the rural Plans that we have thoughts on, so I'm going to give a really brief overview of a variety of issues today and our written comments will have more detail. Next slide please.

The preservation of USDA's Section 515 portfolio is one of HAC's top priorities. We launched our Center for Rural Multifamily Housing Preservation earlier this year to bring our lending, our research, technical assistance and policy expertise all together to address the dire preservation needs of this critical housing portfolio. This slide includes a map of the distribution of the nearly 400,000 Section 515 units across the country and a projection of the estimated annual loss of properties that we're going to be seeing in the coming years.

The rental assistance and the mortgage are tied together in this program, so when the mortgage is paid off, the tenants lose their rental assistance. The residents of these properties have an average income of around $15,000 and two thirds of them are elderly or disabled. So, this is an incredibly vulnerable population and we need as many players in the room as possible when it comes to preserving these units. Next slide, please.

Section 515 preservation deals are extremely complex and time consuming and HAC appreciates the time that both Enterprises have invested in exploring avenues for engagement here. However, while Freddie Mac does propose that they will continue offering their 515 purchase product, they don't include any specific purchase goals in their Duty to Serve Plan. This isn't the first time that Freddie has tried to remove these goals from the Duty to Serve work. So, we encourage that they once again be added back in. Freddie has made one 515 purchase in the past, I believe it was in

2021, and Fannie made several last year, so they are not impossible and thousands of units are being lost each year. So it's clear that other funding sources are not adequate to meet the preservation needs.

We applaud Fannie Mae for the four 515 purchases that they made in 2023, and we're glad to see Fannie proposing to continue their support for preservation technical assistance for the 515 portfolio. We do, however, feel that Fannie's goal to finance the preservation of 85 units per year over the next three years is too low. Given that Fannie was able to finance the preservation of nearly 250 units in 2023. So we'd like to suggest that the 2023 activity alone be used as the baseline for this goal going forward instead of using a three year historical average. Next slide, please.

Permitting targeted equity investments in CDFI's is, in HAC's opinion, the single most impactful action that the FHFA could currently take to improve Duty to Serve outcomes. In the past Plan cycle, Fannie Mae did include a goal around equity investments in CDFI's. However, this time around, neither Enterprise included any equity investments for CDFI related goal, so we would like to suggest that both Enterprises do so as a show of support for this concept. Next slide, please.

Both Enterprises include loan purchase goals for single-family loans to native families living in Indian areas through their NACLI and HeritageOne products. We would like to see those purchase goals significantly higher than currently proposed. We are, however, glad to see that Fannie may have continuing to include support for technical assistance for native and farmworker communities. Next slide, please.

Both Enterprises did include goals around the Heirs' property in their Plans, which we commend. HAC has been researching this issue thanks, thanks to support from Fannie Mae. For both Plans, we would like to highlight the importance of providing support for addressing title issues that impact Native American households. There are title issues that impact Native households that don't fit into the traditional definition of heirs' property. So for that reason, HAC would recommend that both GSEs consider heirs' property and other title issues in their approach here. Freddie Mac proposes to finance Homeowner Education focused on heirs' property, which we fully support. We would encourage them to go even further and consider innovative loan products as well. And we applaud Fannie Mae for their commitment to developing a loan product for rural residents of heirs' property. Next slide, please.

Colonias is another area where HAC has done extensive research, and we're glad to see our research play a role in the new Colonias definition adopted by the FHFA. In this new set of Plans, Fannie Mae includes an outreach focused goal related to Colonias. We feel that they should be a little bit more ambitious here, perhaps adding loan purchases, loan products or financing for homebuyer education to this goal. And Freddie Mac, as far as we could tell, unfortunately, does not include any specific goals around Colonias. So we would like to see them do so. Our next slide, please.

Just as a general observation, when looking at the proposed Plans, overall, it seems that both Enterprises tend to set baselines as low as possible by removing from consideration years that they deem as atypical and also offering goals that don't scale up year over year. As a lender, HAC definitely understand the challenges that come with the current market conditions. However, we encourage the FHFA and the Enterprises to set ambitious purchase goals even amid market, challenging market conditions. The mission of Duty to Serve calls on the Enterprise is to work proactively in these underserved markets, even when it's challenging and even when it runs counter to their profit motives. Next slide, please.

And finally, Fannie Mae includes a new activity in this Plan cycle to support the rural housing market as most broadly defined by the regulation. HAC supports this new addition, and we continue to feel that the Duty to Serve rural definition is the most precise rural definition in the federal government. However, we would caution that this new activity must be in addition to and not at the expense of the core Duty to Serve work in high-needs rural regions and with high-needs rural populations which have historically been much more severely underserved than rural places broadly.

Thank you for your time today and for the clear and thought that has gone into these proposed Plans. We look forward to continuing to engage as this process moves forward. Thank you.

Toi Roberts
Thank you, Ms. Booth. All right. For our next speaker, we have the Administrator, Joaquin Altoro, from the U.S. Department of Agriculture.

Joaquin Altoro
Good afternoon and thank you for this opportunity to join the 2024 Duty to Serve listening session on rural housing and to be a part of this important conversation. I actually took part in this in last year's session and appreciate the continued value of this forum in gathering public input from key stakeholders on key strategic Plans, so I think it's really important to start out real quick as to why rural matters.

The demographics are changing within rural America. We see growing young families, an exploding Latino population, and increasing elderly populations in certain regions. COVID bedroom communities and also just a need, a critical need for safe and affordable housing for our tribal sovereign nations. Our food systems, that's where we're seeing them, you know, growing and where they exist. Food tech, agriculture, food processing. We've learned that this is a national security issue due to COVID. Understanding that 80% of our nation's persistent poverty counties are in rural areas. National Policy, the Bipartisan Infrastructure Plan, the Chips Act, President Biden's Build America, Buy America. Those are making a significant investment in rural America. We are also seeing the beatification and electrification of many things. And where do we, where do we see these, these Plants and this industry building out but in rural America? And so for those reasons, I wanted to go ahead and make some of my general remarks regarding the Duty to Serve.

First of all, I wanted to thank Fannie Mae and Freddie Mac for your past investment into the LIHTC program and rural housing loan purchase targets for multifamily. However, I would respectfully urge a consideration of significantly increasing your investment in loan purchase targets in rural America as it pertains to multifamily and including the investment and loan purchase targets for a Section 515.

In addition, I urge you to take under consideration that rural multifamily lender lending loan sizes are smaller and innovation is needed to address this. Small developments in rural America and often struggle to find investors motivated by Community Reinvestment Act obligations, resulting in lower demand, lower equity pricing from housing credit investments. In addition, in addition to lower equity pricing, rural developments for low and moderate income households face a host of unique challenges, including difficult economic characteristics, smaller scale developments that increase financing costs. These challenges have only been compounded with rising interest rates, supply chain disruptions, higher construction costs. And I really thank my stakeholders for sharing this information with us.

As we reviewed the Duty to Serve Plans, Fannie Mae's Plans specifies securing funding for properties that maintain both rural developments in multi-family housing direct loans Section 515 debt and Section 521 rental assistance, the Rural Housing Service looks forward to engaging with Fannie as we roll out our new decoupling authority and standalone rental assistance contracts. Fannie Mae's Plan also has a goal of purchasing loans secured by properties with the U.S. Department of Housing and Urban Development's Rental Assistance Demonstration contracts. Similar to the feedback above, the Rural Housing Service will be glad to explore compatibility between the agency's programs and the extension of credit to stand alone rental assistance assets interested in preservation activities.

The Rural Housing Service's Multifamily Housing Production and Preservation Division maintains regular contact with the Enterprises to explore conceptual strategies related to preservation and discuss issues related to credit extending across Section 515 Fannie and Freddie transactions. Moreover, The Rural Housing Service and the Enterprises have standardized subordination agreements in place, which were created specifically for Duty to Serve rural housing preservation activities. These pilot initiatives kicked off in FY 21-22 and continue to be refined. These agreements reconcile title priority regulatory conflicts between Enterprise and rural development programs, making Enterprise credit compatible with preservation activities in the rural development portfolio.

And then finally, the Rural Housing Service has modified its funding rounds to extend credit for new construction and preservation and are conditional upon the borrower procuring gap financing to complete the transaction. This enables our borrowers to use USDA commitment funds to leverage third party conventional debt to complete preservation transactions, including debt eligible to be purchased by Fannie Mae and Freddie Mac, which we consider to be very important.

And so, again, I thank you for FHFA for the opportunity at coordinating this listening session and invitation to join you all today. Thank you very much.

Toi Roberts
All right. Thank you, Administrator Altoro. And our next speaker is Mr. Keith Epstein from Roxboro Savings Bank.

Keith Epstein

Good afternoon. Thank you so much for the chance to be here and to participate. Like Mr. Altoro, I was on the call last year and I was very pleased to see, this past spring, the announcement that the FHFA is forming an advisory committee. That was one of the suggestions that was brought up in the call last year and I think it's a testament to the sincerity of the listening of the FHFA, Freddie Mac and Fannie Mae do as far as these Duty to Serve calls. So, they are productive and you've demonstrated that.

My name is Keith Epstein. I'm a community banker in the CEO of Roxboro Savings Bank. We are a 100 year old mutual savings bank that has been focused on housing since our early days as a building and loan association. We fund construction, renovation, purchase and issue refinance transactions. We offer both portfolio products and secondary market eligible loans to our partnership with Fannie Mae. All loans sold are done so with retained servicing. We're located in Person County, North Carolina, and we serve two distinct markets – a rural agricultural community to our north and west and rapidly growing metropolitan areas, Durham and Chapel Hill to our south.

Transactions in our rural markets are much smaller in terms of the average dollar amount. They are generally manual as opposed to digital and far less competitive. In some cases, we are told, quote, “no one else will lend us the money to buy this property”, or quote, “my real estate agent told me I need an unconventional loan”, and that statement is often posed to us with kind of a perplexed look. But the notion that rural properties are ineligible for GSE financing is widely held in our markets. Achieving rural housing Duty to Serve objectives will require both expanding eligibility and changing perspectives. Collateral eligibility, the single biggest impediment to our bank delivering a greater volume of mortgages to the secondary market, is the ineligibility of a substantial portion of rural housing, ranging from older farm homes to more contemporary barndominiums.

Common dwelling types in our less populated service area are often excluded from GSE products. For example, farmhouses have been deemed ineligible because one or more of the bedrooms does not have a closet. Freddie Mac Appraisal Form 2055 includes a simple question: Does the property generally confirm to the neighborhood? Functional utility style, condition, use, construction, etc.? If the appraiser answers yes, then why not consider this a conforming property absent any other deficiencies?

The quality, proximity and similarity of comparable properties in a, is relative in a rural market. Granting eligibility to all rural properties that conform with their community and neighborhood would substantially increase the support the GSEs provide rural America. Expanding lender participation. Rural markets operate differently than suburban and urban markets. There are fewer participants. They're extremely relationship oriented and transactions are often processed manually.

Increasing support to real markets will be achieved through forging partnerships with rural lenders. Both GSEs cite this within their respective Plans. To succeed in building these alliances, Fannie and Freddie should consider waiving minimum volume requirements. For example, our bank is required to deliver 12 or more loans this calendar year to remain on Fannie Mae's platform, where we to rely exclusively on originations within our rural markets, this could be challenging and frankly, would be a deterrent. Providing rural lenders a waiver on volume quotas and offering tech support they may require to establish platform access should be viewed as a long term investment by the GSEs. Manufactured housing. We appreciate that the Duty to Serve Plans includes special focus on manufactured housing, and I realize that a separate listening session will be held to discuss the topic.

But that said, Fannie Mae's Plan references data which shows rural homeowners are more than twice as likely to live in manufactured homes. Loan level price adjustments, lower loan to value and loan to cost parameters, and the added underwriting risk factor assigned to manufactured collateral serves to undermine rather than promote efforts to increase affordability for homeowners and liquidity for lenders in rural markets.

Duty to Serve Planning focused on rural housing should definitely be synchronized with manufactured housing initiatives. Expanding eligibility and changing market perception will enable the Enterprises to achieve their Duty to Serve rural housing objectives. Appreciate the resources The FHA, FHFA and GSEs are investing in mission fulfillment and hope that my comments have been constructive. Thank you for listening.

Toi Roberts
Thank you, Mr. Epstein. Our next speaker is Ms. Sharon Vogel from the Cheyenne River Housing Authority.

Sharon Vogel
Good afternoon. My name is Sharon Vogel. I am the Executive Director of the Cheyenne River Housing Authority in South Dakota. I also serve on the boards of the National American Indian Housing Council, the National Low Income Housing Coalition, United Native American Housing Association, and the South Dakota Native Homeownership Coalition.

I appreciate the opportunity to speak today at today's Listening Session, because I am a huge advocate for homeownership in Native families. Given the limited amount of funding available to tribes and tribally designated housing entities from tribal, state and federal sources, we absolutely cannot meet the need for housing in our Native American communities without leveraging our dollars through a mortgage financing. At Cheyenne River, we have worked hard to make homeownership accessible to our tribal citizens. We have developed lots in our subdivision dedicated to homeownership units with pre-installed infrastructure to make the process more affordable.

We host frequent 12-week homebuyer classes, and we have a high retention rates from start to finish. Our Indian Housing Plan includes funds set aside for downpayment assistance, which can be layered with the South Dakota Native Homeownership Coalition’s new downpayment assistance program. We also have strong relationships with our native CDFI for balanced community funds and other lenders like first Tribal lending. Our homeownership rates have increased since our native CDFI expanded their services to include mortgage loans.

We've done everything we can do to prepare our families for homeownership and keep things affordable on our reservation. But we lack a critical component, mortgage capital, which is why accessing the liquidity of the secondary market is so important to us. Given the historic lack of access to credit and capital in Indian Country, many of our families are new to mortgage lending.

Some families need help improving or building their credit scores. Four Bands Community Fund, our native CDFI, is doing a great job of working with these families. But we also have hard working families who can qualify for other types of loans, including conventional loans. That is why our Tribal Chairman has asked us to work with Fannie Mae to bring another source of mortgage capital to capital to our community.

We appreciate the partnership with Fannie Mae and their willingness to explore new approaches, especially around manufactured housing. Through the coalition, we have also worked closely with Freddie Mac and hope to see some traction soon with the new HeritageOne product. It is important for us to have access to a range of products and services to serve the various types of households in our native communities.

There is a no one-size-fits-all. Duty to serve has really helped to jumpstart the mortgage market on Indian reservations but, the market is still young. As we enjoy one success, another barrier or challenge emerges. Whether it, whether it is with appraisals, obtaining title insurance, or any other process that would be routine off reservation. We are focused on finding solutions.

Our native CDFI's and local lenders still need capital to build up our homeownership markets. Our homebuyer education providers and housing counselors need training and technical assistance to expand services to prepare our families. We also need help keeping housing loans affordable and will continue to explore new partnerships with the Federal Home Loan Bank of Des Moines. We appreciate the opportunity to share innovative, innovations and best practices with our peers across Indian country.

We know our loan value is always going to be lower than other markets, but we are working on getting to scale through our collaborations. As a regular, regulator of the GSEs, I encourage you to give them as much flexibility as possible so that we can build our emerging markets on tribal land together.

Thank you once again for the opportunity to share our perspective about improving mortgage opportunities on tribal land.

Toi Roberts
Thank you, Ms. Vogel. All right, so we are now at our halfway mark of of needing to take our ten minute break. So now the time is 1:53. We'll return back here at 2:03. See you guys in 10 minutes.

10 Minute Break

Toi Roberts
All right. That concludes our ten minute break. And so now will continue to hear from our guest stakeholder speakers. And up next is Mr. Chris Neary from Cinnaire.

Chris Neary
Thank you. My name is Chris Neary, and I am Senior Vice President for Policy Research and Advocacy at Cinnaire. And on behalf of Cinnarire, I want to thank Director Thompson and FHFA staff for the opportunity to comment today and for their ongoing commitment to addressing the affordable housing crisis in rural communities.

Cinnaire is a nonprofit, mission driven tax credit syndicator and CDFI, with a 30 year history of raising and deploying capital for affordable housing developments and impactful community projects. To date, we have raised $5.7 billion in total investments supporting the creation or preservation of more than 55,000 affordable homes across our footprint. We also have an affiliated CDFI Cinnaire lending that works to fill lending gap gaps in the markets we serve, including rural areas and Cinnaire lending is a member of the Federal Home Loan Bank of Chicago. At Cinnaireour history is really deeply tied to serving rural communities. We were founded in part to bring access to capital for rural areas, affordable housing in rural areas in Michigan, which is where we are still headquartered in Lansing. And since our start 30 years ago, we have expanded to nine states in the Midwest to mid-Atlantic regions, and our team continues to have a rural focus.

We work regularly with partners across our footprint to support affordable housing developments in rural areas, which we see facing unique barriers to the creation and preservation of affordable housing, including their small scale and often more challenging economic conditions. And on top of those challenges, the lack of investor demand driven by financial institutions' Community Reinvestment Act or CRA obligations leads to lower equity pricing for tax credits, which creates bigger financing gaps and disadvantages for the rural communities that we serve.

Fannie Mae has been a longstanding partner of ours to help us fill those gaps and make critically needed rural housing developments feasible. Driven by Duty to Serve, Fannie has increased, has invested more than $390 million in Cinanire's funds to date, supporting projects in Michigan, Indiana, Illinois, Wisconsin and Minnesota. And on average, over the past ten years, Fannie Mae's investments have increased the number of affordable rural housing units in our funds from 15% of the total to 28%, so a significant impact. Due to our knowledge and presence in rural markets Cinnaire has also been a reliable and consistent partner to Fannie Mae, helping them meet their Duty to Serve obligations in an efficient and effective manner.

As FHFA knows, unfortunately, Fannie Mae withdrew from the multi-investor Low Income Housing Tax Credit market in 2022 due to uncertainty around the tax exempt controlled entity issue. And we deeply appreciate Fannie Mae's commitment with FHFA's support to developing a strategy to continue investing in rural areas through multi-investor funds. And we are pleased to include Fannie Mae as an investor in our most recent fund with Fannie Mae's support. As a result of that, that work with Fannie Mae's support, our fund will lead to the development of 1228 affordable multifamily homes across 22 properties in Michigan, Illinois, Indiana and Wisconsin.

While that's positive, the current investment strategy is not ideal, and we strongly believe that a long term solution is necessary to ensure that Fannie Mae and ideally Freddie Mac are able to serve rural markets through multi-investor funds. And we have been working, along with fellow members of the National Association of State and Local Equity Funds, or NASLEF and others in the affordable housing industry to encourage the US Treasury Department and the IRS to issue guidance that will clarify that issue. And we have also seen strong bipartisan support for resolving this issue in the U.S. Congress.

We understand that Fannie Mae's baseline in its proposed 2025 to 2027 Plan does not reflect the resolution of the TEC issue. However, assuming Fannie Mae's investment strategy continues to be workable or there is resolution through regulatory guidance or legislation, we strongly encourage the adoption of more aggressive targets that are in line with or exceed Fannie Mae's baseline before the TEC issue arose.

And assuming this issue is resolved, we also believe it would be appropriate to increase the caps on the Enterprise's investment in LIHTC, especially with upcoming regulatory uncertainty. Historically, we have seen that the Enterprises have played an important countercyclical role limiting the impact of adverse economic and regulatory factors on affordable housing production and preservation. And we strongly encourage both Enterprises to engage in a multi-investor fund market to deliver capital to rural communities.

In addition, Cinnaire would also like to echo the comments from the Housing Assistance Council on the need to address the looming 515 crisis in the value of working with CDFI’s. Our markets include many USDA rural development 515 properties that will need recapitalization or refinancing, and we are encouraged by the inclusion of purchase goals for small multifamily rental property loans. And we also urge the Enterprises to to explore the feasibility of equity investments in CDFI’s.

Like LIHTC investments, capital for CDFI’s is driven by CRA demand and Cinnaire lending, Our CDFI has been really critical to helping fill lending gaps in rural markets, but is limited by constraints on capital. We would welcome the ability to work with the Enterprises to ensure adequate debt capital is provided to affordable housing developments in the rural markets that we serve, providing quasi equity capital or below market funds to CDFI’s would add significant, to CDFI’s like Cinnaire Lending would add significant capacity to, to our ability to work with smaller projects which are often more typical rural markets.

So we stand ready to continue working with the Enterprises to meet the needs of rural markets. And we want to thank you again for the opportunity to provide comment today.

Toi Roberts
Thank you, Mr. Neary. Okay, so our, before I move on to our next speaker, I just wanted to remind everyone that this is a, these listening sessions are open to the public, but they are not intended for media purposes. So I just wanted to make that statement before we move forward.

And our next speaker we have now is Ms. Emily Nosse-Leirer from the Enterprise Community Partners.

Emily Nosse-Leirer
Thanks, Toi. Hello, everybody. I'm Emily Nosse-Leirer, Policy Director for Enterprise Community Partners Rural and Native American Work. Enterprise is a national nonprofit that uses practical solutions, capital investment and community development to make home and

community places of pride, power and belonging. Our tribal nations and rural community team has worked to support safe, decent, and culturally appropriate housing in rural communities and on tribal lands since 1997.

Our commitment to these communities is deep. We've invested more than $1.1 billion in grants, loans, and equity. We've developed more than 40,000 affordable homes in those communities nationwide. Our team works with nonprofits, housing authorities, tribes, and tribally designated housing entities to expand access to homeownership opportunities and to develop and preserve affordable rental homes.

We offer direct technical assistance, training, peer learning sessions, and work in coordination with investments from our capital division. For example, we administer eight USDA technical assistance contracts to preserve Section 515 rental housing, and we work directly with tribal governments and TDHE on housing issues on tribal lands across the country.

I'll be speaking today on the importance of both rural and tribal housing in the 2025 to 2027 Duty to Serve Plans with a particular focus on question four regarding activities and objectives at the Enterprise should consider adding to their Plans for the rural market and question six on loan purchase baselines.

Enterprise enjoys a strong partnership with both Fannie Mae and Freddie Mac, who fund our team's work on tribal capacity building, tribal homeownership coalitions, rural rental housing preservation and the creation of developer guides. So I'm glad to offer comments today on how to continue the good work that they do in rural and tribal communities and also to suggest ways that it can be strengthened.

I'll speak first on goals related to tribal lands. These Plans are contained under GSEs legal obligation to serve rural markets. But we should always remember that the needs and characteristics of those tribal lands are unique from those of rural America more generally. Buying and developing homes on tribal trust land remains a difficult process of navigating legal supply chain and other challenges, and the Duty to Serve Plan should continue to recognize these activities as separate and unique from the rural market more broadly.

Both Fannie Mae and Freddie Mac have continued, have completed activities defined in their earlier Plans to increase homeownership on tribal lands. Fannie Mae's Native American Conventional Lending Initiative and Freddie Mac's HeritageOne products both represent steps towards greater lending on tribal lands. We recognize that these programs have been created relatively recently, especially the HeritageOne product, but we encourage this Duty to Serve Plan to have a higher level of loan purchases in both, in both Plans. Fannie Mae's Plan reaches a high of 20 annual purchases of loans made through either NACLI or HUD 184 by 2027, Freddie Mac's comparative goal has 2025 25 loans purchased.

There are almost 250,000 American Indian and Alaska Native households living in area counted under these Plans. And so we believe that each Plan should be aiming for at least 50 loans purchased by 2027. Freddie Mac's Plan also notes that they'll be collecting HeritageOne loan data and analyze performance of the loans in order to refine the product. We'd encourage them to make this information available to stakeholders and to receive public comments on the performance of the product as well.

Neither NACLI or HeritageOne can succeed without the participation of lenders near tribal lands. Native CDFI’s play an invaluable role in the tribal mortgage market, but the pool of lenders willing to work on tribal lands must go beyond just native CDFI’s to meet the demand for mortgages on tribal land. We ask that the GSEs increase their engagement with lenders near tribal land and help build relationships between tribal nations and banks. This will both increase bank of tribal law and increase their willingness to lend on tribal land.

I'd also like to talk today about the importance of GSE support for the rural rental housing market, particularly those properties originally built using USDA Section 515 loans. These properties are often the only affordable rental housing in rural places. The buildings are aging and sources of additional affordable capital from the USDA are very oversubscribed, especially now as interest rates are rising. However, ensuring that these properties can access funding to stay in service is a key part of the preservation equation.

We appreciate the significant work that Fannie Mae has put into the development of a loan product that, loan purchase product that supports Section 515 preservation transactions, and the fact that those products aided 240, 248 units last year. The work required to develop subordination agreements with the USDA and to create that product has represented a large upfront investment of time and effort. Therefore, we encourage Fannie Mae to build upwards from that 248 unit number rather than decreasing targeted assistance, targeted units.

We encourage the establishment also of a similar loan product at Freddie Mac with specific purchase goals. The need for additional Section 515 preservation capital is only going to grow as the two, as the 2028 mortgage maturity cliff approaches and the first properties receive the legal authority to decouple and enter into standalone rental assistance contracts with the USDA.

Finally, the continuation of technical assistance for Section 515 owners will be key to preserving rural rental housing. The legal change allows, allowing USDA Section 521 rental assistance to continue even after a Section 515 mortgage has been paid off, is a very important step. But property owners, owners and purchasers, especially small nonprofits and public agencies, will still require assistance to navigate what's a brand new process. Both Fannie Mae and Freddie Mac can play a key role in ensuring that, that that housing stays affordable and is able to retain its rental assistance.

Fannie Mae and Freddie Mac have worked with nonprofits, including Enterprise, to provide technical assistance to rural developers over time. We're glad to see the continuation of this work in the 2025 to 2027 Plan. And again, we and we encourage that specific focus on owners who are navigating these first ever standalone rental assistance contracts with the USDA.

Thank you so much for inviting Enterprise Community Partners to speak today, and we look forward to our continued partnership with the GSEs.

Toi Roberts
Thank you. Mr. Nosse-Leirer. Our next speaker is Mr. Bo Smith from the Cornerstone Home Lending. Okay. I think I'll go ahead and move to our next speaker and circle back to Mr. Smith.

Bo Smith
Hello. I had on…

Toi Roberts
Oh, there we are. Hi, Mr. Smith.

Bo Smith
Yes, thank you for this opportunity. I work with Cornerstone Home Lending. We are a Houston, Texas based company that has been in business since 1988. I am the main Originating Loan Officer for construction lending for manufactured housing, and our renovation program is predominantly in underserved markets. I live in Mississippi, so when I talk about Underserved Markets in rural areas, Mississippi is definitely known for that, an area called the Alluvial Plain better known as the Delta.

The companies for which we do business with for manufactured housing, we deal with a lot of customers who have heir properties. And one of the constant roadblocks in homeownership in rural markets is when someone is on heir property, we are not able to secure certain types of mortgages because of that, be it manufactured housing or a single site build. I proposed that Fannie Mae and Freddie Mac as a proposal is that there is open suggestions of looking at ways to allow heir properties to have such housing, such as manufactured homes put on it that is similar to the FHA’s TitleOne program.

Secondly, on top of that, there are markets that have deferred maintenance in rural housing and due to lack of affordability, there is no housing that exists. We also specialize in renovation programs under the FHA 203(k) program that allows a house to be moved from one location to another and put back in use. If Fannie Mae or Freddie Mac considers similar renovation programs that allow the option of purchasing land or, land or lots and rural markets that would allow houses to be moved better. Maybe deferred maintenance are no longer in use to these particular spots, it would open up the option for more affordable housing in rural markets and increase the opportunity and support the rural areas for which they serve.

That's all I have to suggest, just those two things. I appreciate this opportunity.

Toi Roberts
Thank you, Mr. Smith. Okay, and so our next speaker is Joshua Yurek, from Midwest Housing Equity Group.

Joshua Yurek
Good afternoon. Thank you for the opportunity to present at today's listening session. My name is Joshua Yurek and I'm the Vice President of Government Affairs and Community Outreach for Midwest Housing Equity Group.

Midwest Housing, headquartered in Omaha, is a Nebraska nonprofit corporation formed in 1993. Our mission is to change lives for a better tomorrow by promoting the development and sustainability of quality, affordable housing. We accomplish our mission primarily through the syndication of the federal low income housing tax credit. More specifically, we raise private sector equity capital, mostly from banks, insurance companies and the Enterprises, to invest into affordable housing developments throughout the Midwest.

Since inception, we have raised over $3.3 billion of capital and helped secure, helped create more than 26,000 safe, decent and affordable rental homes in the Midwest. We have invested approximately $1.5 billion of that in communities of 50,000 or fewer. We are proud to note those dollars have helped create and preserve more than 12,000 quality rental homes in rural America. Across the entire portfolio, our average development is comprised of just 38 units and several of our investments are six, ten and twelve unit properties.

We're honored to play a key role in providing affordable housing across our footprint. The need for safe, decent, and affordable housing continues to grow across the nation. It is against that backdrop that we respectfully offer a few comments for consideration as it relates to the Enterprise's proposed Duty to Serve rural Plan.

Rural America faces massive affordable housing challenges, not least of which is attracting investment capital. While the LIHTC program is the most successful tool for the production and preservation of affordable housing, its public private partnership model depends on raising private capital. Most rural communities don't need $20 or $30 million transactions. It's the two, three, five and seven million dollar transactions that move the needle when it comes to rural investment. We need the Enterprises investment in rural America to increase.

FHFA recently increase each Enterprises LIHTC Authority to $1 billion annually. Yet neither Enterprises draft Duty to Serve Plan dedicate any of those additional dollars to rural markets. That is problematic, especially considering that banks, which comprise 85% of the LIHTC investor market, are generally not interested in these smaller rural communities because they don't have any Community Reinvestment Act needs there. The Enterprises were allowed back into the LIHTC market to serve as a stabilizing force. Failure to dedicate adequate investment to rural investments does just the opposite. It destabilizes the rural housing market.

Unlike the aforementioned bank investors, Fannie and Freddie do not need to meet CRA goals. As you know, though, they do, however, have Duty to Serve goals that require activity in rural areas, making them ideal investors for these developments. Let's make sure these goals are appropriate sized to the needs that need to be filled.

I'd like to provide comments on each of the Enterprise's Duty to Serve Plan. With respect to Fannie Mae, please note that has been a fantastic partner when it comes housing investments in the rural Midwest. Its strong commitment to rural LIHTC equity investments through multi-investor funds, including our own, has proven critical to ensuring robust rental housing preservation, production and investment in small town America. It has repeatedly stepped up to the plate to help fill equity gaps. However, we are concerned that the proposed Duty to Serve Plan for 25, 26, and 27 will significantly reduce affordable housing investment in rural communities going forward.

Considering Fannie Mae is such an important partner for LIHTC investments in rural areas, the proposed target investment baseline of 16 to 30 LIHTC investments for 25, 23 to 45 for 26, and 27 to 55 for 27, does not align with the needs of rural America. The range is too large. The lower end is not acceptable and the high end is lower than what was achieved under prior Plans. The target baselines should exceed the baselines achieved in 21 and 22, especially considering LIHTC authority has increased to $1 billion.

With respect to Freddie Mac's Duty to Serve rural proposal, it also does not align with the needs of rural America. A goal of 20 investments for each of 25, 26 and 27 is not nearly enough, regardless of the fact that the 20, the number 20 represents roughly what they done annually from 18 through 23. It appears, based on Freddie Mac's mission map, which I recently visited, that no LIHTC investments have been made in Montana, Wyoming, South Dakota, Iowa, Nebraska, Kansas, Missouri, Arkansas or Oklahoma since Freddie returned to the market in 2018. It appears to have made one investment in North Dakota in the past six years. That should be change in the proposed Duty to Serve Plan. Rural LIHTC goals should be similar to Fannie's achievement and rural markets in 21 and 22, and the geographic scope needs to expand.

On occasion, the Enterprises point to unique risks in rural markets. Our 31 year history though, demonstrates this is a red herring. Of the $3.3 billion we've raised and invested over those 31 years, we've had zero foreclosures and no recapture of tax credits. Target returns have been made, have been consistently met and exceeded. It is more accurate to say that rural markets present unique opportunities, not unique risks. Stated otherwise, FHFA requiring more investment in rural markets does not negatively impact the safety and soundness of the Enterprises. I posit that it improves their safety and soundness.

I'll conclude by again thanking Fannie Mae for its strong commitment to the rural Midwest since 2018. They are a true partner and have made a big impact. We need that to continue and even increase. Our communities, also need Freddie Mac actively participating in multi-investor or proprietary LIHTC funds that serve rural America at a greater capacity, not less.

Without FHFA ensuring a stronger investment obligation the affordable housing development and preservation in rural America will suffer. More specifically for the Midwest, the geographic region that we serve, it means that less capital will be available. Based on FHFA's strong commitment to addressing affordable and rural housing supply challenges, we hope you'll demand a more vigorous commitment to LIHTC rural investments in the Enterprise's final Duty to Serve Plan, especially considering the increase of authority to $1 billion. Otherwise, rural affordable housing production will continue to struggle and be left behind.

Thank you again for letting me present today. I appreciate your time and especially your consideration of my suggestions. Thank you.

Toi Roberts
Thank you, Mr. Yurek. We have our next speaker on the agenda is Mr. Ed Sivak. However, we're going to circle back to him and go on moving on to the next speaker, which is Mr. Adam Stockmaster. And Adam Stockmaster is from the Council for Affordable and Rural Housing.

Adam Stockmaster
Hello. Good afternoon. I'd like to thank everyone for your time this afternoon as we discuss rural housing and Duty to Serve.

My name is Adam Stockmaster. I'm the president of TM Associates. We're the largest owner and operator of USDA 515 rental communities in our 16 different states. I've been asked today by the Council of Affordable and Rural Housing to speak on the topic of rural housing and how the Enterprises can play a larger role in the development and preservation of this critical housing resource.

The USDA program, in my opinion, is the definition of rural housing. While I understand Duty to Serve has designated targets, I think, you know, they must remain flexible and the areas served and rural housing fills the definition of rural areas in my opinion. There are over 12,912 USDA 515 rental communities throughout America, including the U.S. territories representing just over 400,000 units.

And for low income individuals in rural America, I'd say USDA 515 is the definition of rural housing, as these communities are in small areas, often times in towns and municipalities where you count a population in hundreds or maybe thousands, but never tens of thousands or hundreds of thousands or more. The communities are truly the neediest and the residents served are truly some of the poorest. By that, I mean the average income of a USDA 515 property is just over $16,000 a year. For those without rental subsidy and over $13,000 year for those with rental subsidy. That represents just between 40 and $45 a day, making it very challenging to live on such a small amount of income.

The Enterprises, in my opinion, can help and I've seen them already help a bit. My company every year redevelops and preserves at least six, if not ten or 12, USDA 515 properties and while we have completed over 75 preservation developments since Duty to Serve was introduced a little while ago, I found that the Duty to Serve investments from Fannie and Freddie can be counted on one hand. In fact, just five of our 73 515 developments have Duty to Serve investments.

I would like to repeat a comment I heard a bunch today, which is flexibility. USDA 515 Rural development deals are very challenging to preserve. They often involve a extensive capital stack of three to four to five sources. And to that end, I think Fannie has done well in negotiating a form of subordination with the USDA but, I can't use it, and so far as I'm working with state housing agencies and other industry lenders and partners, and there is not a pre-negotiated subordination agreement in place with those parties.

I also have found in the past that both Fannie and Freddie do an excellent job on large projects in loan size. I, myself, and my company have completed some mtabs and Freddie tells and tens of millions of dollars. And those are the easy ones for us to work on with our bank partners. When I contact one of my bank partners who is Freddie and Fannie to assist in providing financing to buy and preserve a USDA portfolio, I find that there's no space for a loan to be provided because there is no real estate to be pledged to that end.

And that is how you preserve USDA housing. It first involves, a change of ownership and operations. As many of these developments were built during a time when a lot of folks are no longer working. The heyday of this cottage industry of USDA housing was the late seventies throughout the eighties and nineties. And these mortgages are maturing and are starting to pay off annually. And in many cases the USDA 515 property represents the only rental option in some of these small areas. So any kind of flexibility that can be provided to the community banks, to the CDFI's, to the tax credit investors, for eligibility, for loans and for equity, would greatly improve the liquidity and the investments.

I know one item of specific concern is the preservation of 515 developments in areas outside of some of the targeted Duty to Serve areas, and I really wish there would be more flexibility in this space to allow for more developments to be renovated.

I would also like to just take a quick second to thank some of the other speakers today. I really enjoyed all their comments and have found a lot of the same similar experience. So to that end, I just ask that FHFA and their oversight of the Enterprises, please raise the bar, make them do more if it's possible, as the rural areas are the most difficult areas to serve.

And to that end, there are many folks committed to doing this. And I appreciate you all taking the time today to listen to me and appreciate our, for consideration my request. Thank you.

Toi Roberts
Thank you, Mr. Stockmaster. All right, so our next speaker, we're going to go back to Mr. Ed Sivak from the Hope Enterprise Corporation, Hope Credit Union.

Okay. I think he's still not on so, we'll circle back to him again and move on to our next speaker, which is Ms. Tawney Brunsch from Lakota Funds. Ms. Brunsch?

Okay, let's just move on to our next speaker who we have here as two speakers, Ms. Lorna Fogg and Ms. Robin Thorn from RT Hawk Housing Alliance.

Lorna Fogg
Hi. Okay, I'm going to start. It'll be Lorna. So hello, my name is Lorna Fogg, Vice President of Finance and Development for our RT Hawk Housing Alliance. We are 100% Native American owned consulting company. We provide technical assistance and training, compliance services, and funding services, including tax credits as well as gap funding sources. I've been working in the tax credit industry since 1995, first with the tax credit syndicator and have been exclusively working with tribes on tax credit projects since 2002.

We are only speaking about the LIHTC investment categories. Additionally, these comments are specific to the tribe. The tribally designated housing entity or an economic development entity of the tribe as a developer of the tribal LIHTC projects.

The issues we see are tribal projects generally are unable to attract CRA investors. Tribal projects, specifically those on tribal trust land have difficulty obtaining debt because of the Trust's status. This means that they rely on tax credits and soft financing sources and have to fill the gap with their own funds. Because there's difficulty obtaining debt, equity has to go into the project during the construction period. This lowers the equity price. In the past few years there has been limited, if any, investments by Fannie and Freddie in tribal tax credit projects. This forces these projects to use high yield economic investors and again lowers the equity price.

Tribal projects are generally smaller in size and more expensive to build. This also has limited the investor pool. The benefits of investment in tribal tax credit projects besides the obvious of helping a high need population, because there is no debt, foreclosure is not an issue. There is a high rental demand because there is a high need. Vacancies are not an issue. Tribes have been working with affordable housing for a long time through old HUD programs and later under the Native American Housing and Self-determination Act, the HASDA. Therefore, experience is not an issue. To our knowledge, there has not been a recapture event for a tribal LIHTC project. Therefore, the investment is not an issue.

Comments specifically on Duty to Serve, we need a specific commitment for investment within tribal communities, including but not limited in investment in tribal LIHTC projects across the country. Native-Americans and tribal populations need to be clearly identified as a separate and distinct group to increase investment in the specific severely underserved market. They should be defined as they are currently distinguished by federal regulations. Indian area is defined as having the meaning in 24 CFR 1000.10, the area within which an Indian tribe operates affordable housing programs or the area in which a TDHE, which is tribally designated housing entity as authorized by or more Indian tribes, operates affordable housing programs.

FHFA should better, seek to better understand HASDA and its role in leveraging the role of the BIA and trust land activities and current housing waiting lists of federally recognized tribes. They need to understand, they need to specifically recognize that Native American and tribal housing programs meet the criteria identified in the 12 21 23 funding notice and acknowledge their intent to ensure that, quote, “within the 1 billion investment cap, any investments by the Enterprises above $500 million in a given year must be in transactions FHFA has identified as having difficulty attracting investors” end quote. Tribal LIHTC projects have difficulty attracting investors, so that speaks to us.

In closing, Fannie and Freddie need to develop a better understanding of the overall Native American housing market and the unique needs and regulations that set financing and or purchasing affordable housing within tribal markets apart from other markets. The time for outreach is over. The LIHTC program is well known throughout Indian country. The need is for actual LIHTC investments in tribal projects.

Our RT Hawks pipeline is 5 to 10 tribal projects per year with limited marketing, and we're just one company so, I know there's a lot more investment opportunity out there. RT Hawk is willing to assist the Enterprises to better understand the history and nuances of the tribal LIHTC market, as well as the investment market's willingness to participate.

Thank you for your time. That's all my comments.

Toi Roberts
All right. Thank you, Miss Fogg. Okay, we are going to now circle back to Miss Tawney Brunsch from Lakota Funds.

Tawney Brunsch
Good afternoon, everybody. My name is Tawney Brunsch. I am joining today's listening session wearing several hats. I am the Executive Director of Lakota Funds, which is the oldest native CDFI in the United States. We serve the Pine Ridge and Rosebud reservations in South Dakota.

I'm also the chair of Lakota Federal Credit Union, the only depository institution operating on the Pine Ridge Reservation. We also serve the Rosebud Reservation now. Based on demand from our credit union, we added mortgage financing to our loan product offerings just a few years ago.

I also serve on the board of directors for the South Dakota Native Homeownership Coalition. The Coalition was created in 2013 when USDA was looking for strategies to increase the deployment of their 502 home loans. Over 11 years later, our coalition members have helped to support nearly 300 families to become homeowners, totaling nearly $29 million in mortgage financing.

I'd like to thank the Federal Housing Finance Agency for hosting this listening session. We always welcome the chance to share information about the market opportunities that exist in native communities across Indian country.

While we have had a great relationship, both GSEs, Fannie Mae and Freddie Mac, we have worked most closely with Freddie Mac over the past five years. Through our partnership with Freddie Mac, we have developed training for appraisers about our cost based valuation. You heard that throughout the report. And, and the Appraisal Institute, provided, we've provided feedback to their product development team on the HeritageOne loan product. We cohosted three annual lenders symposia. I don't know if that's plural for symposium, I assume, in South Dakota to explore strategies to increase conventional lending on tribal land.

Let's see. One of the most exciting activities we've undertaken is a pilot partnership between Lakota Federal Credit Union and Come Dream, Come Build, a CDFI based in Brownsville, Texas. CDCB was already a Freddie direct lender, so they agreed to pilot the delivery of the new HeritageOne product. Because they recognized the importance of having a local lender operating in our native community, they applied to be an aggregator and sponsored Lakota Federal Credit Union as a third-party originator. They also applied to become a seller and servicer for HeritageOne.

These approval processes have been lengthy, but we are all motivated to continue to push through because of the mortgage financing opportunities we know this partnership will bring. Access to liquidity is critical for all native CDFI’s, even the depository institutions like the credit union. Although we have not delivered any loans yet, we've already learned a lot. We know that native CDFI’s who would like to serve as third party originators will need more access to training for TPO’s through Freddie Mac.

This includes getting signed up as a TPO to access all online training resources using Freddie Mac's Loan Product Advisor, LPA, for automated underwriting, and learning about the underwriting criteria for HeritageOne. These are all basic things, but we've learned the hard way.

They're obviously critical and they have proven to be very time consuming. We've been at this for over a year, so anxious to get that moving.

I'd also like to mention a few things about Freddie Mac's new Duty to Serve Plan. We appreciate their emphasis on manufactured housing because, because that is such a critical type of housing stock in Native communities. In the the couple of native CDFI's and in South Dakota here that I'm involved with, over 90% of their loan volume is actually cash purchase loans for, for manufactured housing, mostly doublewides.

We hope that they will extend their rural developer capacity building program to Indian Country to help increase the supply of single-family and multi-family homes. We appreciate their openness to making product enhanced, enhancements to HeritageOne. Guess the only other thing I'd say with that is that again, we hope that it moves along a little bit more quickly. I'd also like to see, I notice the rest of the areas have target numbers and I feel like we can do a little bit better. We should be asking for stronger target numbers in the areas that involve serving Native American communities. And South Dakota Native Homeownership Coalition is happy to continue to help.

Finally, I wanted to mention some key areas that still need attention. We need help identifying private sector providers necessary for conventional lending, including private mortgage insurance providers and title insurance providers on, on fee simple land on Indian Reservations. Construction, construction lending is also critical on tribal land because of the lack of housing stock. For conventional lending to work, we will need to identify better strategies for construction financing.

Also, we know that affordability is a challenge everywhere in the U.S. due to rising insurance costs, the high cost of materials and labor and of course, the high interest rate environment we are currently in. But affordability is even more important in native communities because homebuyers often have to finance infrastructure and other high costs that are not incurred by others outside of Indian country.

Doing this work on tribal land is not easy, but it is critically important and a critically important part of our tribal economies. Homeownership opportunities provide our tribal citizens with a safe place to live and an asset to pass on to the next generation. They also serve as an economic engine for all of Indian country.

We appreciate the partnerships we've built along the way with the GSEs and others to support our efforts. We've made a lot of progress, but our work is nowhere near done. Thank you once again to FHFA for hosting this session.

Toi Roberts
Thank you, Ms. Brunsch. Okay, and so circling back to our last and final guest stakeholder speaker, Mr. Ed Sivak of Hope Enterprise Corporation.

Ed Sivak
Good afternoon. Thank you, Ms. Roberts. I really appreciate the flexibility and the opportunities speak today. My name is Ed Sivak and I'm the Chief Policy and Communications Officer for

Hope Enterprise Corporation and Hope Credit Union. I would like to thank the Federal Housing Finance Agency for the opportunity to share insights from our perspective, share, shaped by our work in the Deep South to inform the next iteration of the Duty to Serve rural housing Plan.

Our comments today consist of four recommendations. First, we are recommending the expansion of the research agenda to quantify the number of low income housing tax credit programs for which compliance periods will soon be expiring over the next five years. This area of research ties into Fannie Mae's looking, research components of the Plan and Freddie Mac's thought leadership.

Freddie Mac has acknowledged the need to assess opportunities and challenges within the USDA 515 program. As you look at the low income housing tax credit program, Hope estimates that there are over 5000 LIHTC properties in Mississippi and Alabama, for which the compliance period will sunset over the next several years. Three out of four residents living in these communities are black and most are not in a position to purchase those homes when the compliance period ends.

We believe that the GSEs should leverage their research capacity to quantify the extent of this challenge in this opportunity and then look for ways to marry home ownership, slash the multifamily lines of business to pilot transitions from renting to homeownership. As pilots are underway, quantify the subsidy or define the subsidy stack needed to create more homeowners to move people who are living specifically in single-family multi-family developments, single-family homes and multifamily developments and see what's needed to move people towards homeownership.

Next, we are recommending that the research agenda be expanded to explore the effects of insurance issues facing low income home buyers across the country in Duty to Serve areas. An analysis of Hope's membership, and an analysis of Hope's membership, we found that in our current mortgage portfolio, just from a sample, that 49 members are going to see an increase in their escrow accounts of more than $50 this year, and the average increase is around $170 per month.

The New York Times just released an article that mapped places in the U.S. where properties are most at risk and where homeowners pay the most relative to home values. A quick review of the map shows that there are a number of Duty to Serve areas where insurance is a barrier to homeownership and where it puts existing homeownership at risk. And we believe that this should be studied as we move into the next period for Duty to Serve.

Next, we are recommending the expansion of the purchases of single-family loans to in, in to look at new products, pilot these, assess them, and move them into the marketplace to achieve new targets, and especially to expand homeownership among people and populations that have been historically excluded.

Last year, 94% of Hope's loans, Hope's mortgage loans were to first time homebuyers. 90% were to people of color, particularly black households, and 65% were women owned, by women headed households. Most of Hope's loans over this period were originated through its affordable homeownership program. Through this program, borrowers may finance up to 100% of the value of the home. Credit scores as low as 580 are considered nontraditional sources of repayment history are eligible for underwriting, and no mortgage insurance is required. The charge off rate from this program last year was 26 basis points. Duty to Serve should commit to figuring out how to purchase these types of loans and to encourage other financial institutions to offer a similar product. I believe if we get to this point, we will drastically increase homeownership throughout the Duty to Serve areas.

Last, but not least, we also think that the multi-developer capacity building is a step in the right direction. It would be enhanced by adding capital commitments. Capital commitments are needed and GSEs must report on diverse developers supported or not supported through the implementation of the LIHTC equity elements through Duty to Serve. Freddie Mac appropriately identified the need to build capacity among emerging developers in rural areas.

Again, capacity building is a step in the right direction and at the same time it is not enough. There should be capital commitments made to emerging and diverse LIHTC developers and Freddie Mac and Fannie Mae should report on the number of diverse developers or not, it's supported or not supported in Duty to Serve areas.

Again, thank you for the flexibility to allow me to slide in at the end of these comment period, of this comment period, and Hope really appreciates the opportunity to share our comments with you today. Thank you, Ms. Roberts.

Toi Roberts
Thank you, Mrs. Sivak. Thank you. And, so that will conclude hearing from our guests stakeholder speakers. So, I'd like to thank all of you, all of our guest speakers. And now to give closing remarks, I'd like to hand it over to Ms. Marcea Barringer.

Marcea Barringer
Hi, everyone. Thank you, Toi. I just really wanted to take a minute to thank all of our presenters today for all of their very insightful comments on various aspects of the Enterprises' proposed activities for their 2025 to 2027 Plans in the rural housing market. And, I really also wanted to thank the audience for attending today's session and sticking through to hear all of our wonderful presenters.

I want everyone to know that FHFA appreciates the diversity of views expressed today on the rural housing market. We take all of these remarks very seriously. That also goes for the comments posted on FHFA.gov, and we really do take them into consideration. I want to encourage everyone to think about submitting written comments on FHFA.gov by the August 12th deadline.

Also, you're welcome to check back in in the coming days to find videos and transcripts from this listening session and the two other listening sessions that we are hosting this week on manufactured housing tomorrow from 1:00pm to 4:00pm Eastern time, and then on the affordable preservation market on Wednesday from 1:00pm to 4:00pm Eastern time. We look forward to continued collaboration with all of you.

Thanks again to Toi for all of her work with today's session as well. Toi, back to you.

Toi Roberts
Thank you, Marcea. So that concludes today's session. Thanks again to all of our guests stakeholder speakers and to everyone who has joined us to listen in today. All comments will be posted on our website soon. And just like Marcea said, you can still also submit written comments about the Enterprise's rural housing market activities on our Duty to Serve website.