Federal Housing Finance Agency
2024 Duty to Serve Public Listening Session (Day 3)
Affordable Housing Preservation Market
July 17, 2024

Toi Roberts
Hello and welcome to the Federal Housing Finance Agency 2024 Duty to Serve Markets Public listening session. I am Toi Roberts, a member of the Duty to Serve team, and I will be emceeing today's listening session. And today's session will be 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 your feedback on the Enterprise's proposed 2025-2027 Duty to Serve Underserved Market Plans. We will be hosting three listening sessions, well we have, today as our third one. One for each Duty to Serve Underserved Market and for today's session, we will be focusing on the affordable housing preservation market.

Before we get started, I'd like to first introduce you to our lead of our Duty to Serve Markets team, Supervisory Policy Analyst, Ms. Marcea Barringer.

Marcea Barringer
Thank you. Toi. I'm Marcea Barringer, and I'm the supervisory policy analyst for the Duty to Serve program at FHFA.

It's my pleasure to welcome all of you again to this third and final 2024 virtual Duty to Serve listening session. It's also my pleasure to introduce Ted Wartell, who will be providing our opening remarks today.

Ted is Associate Director of the Office of Housing and Community Investment in the Division of Housing Mission and Goals at FHFA. Since the creation of the Office of Housing and Community Investment, Ted has coordinated the oversight of Fannie Mae and Freddie Mac's affordable housing goals, Duty to Serve, and the Federal Home Loan Bank Affordable programs. Prior to coming to FHFA, Ted served as the 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, SBA, and the U.S. Management of, sorry, the U.S. Office of Management and Budget, OMB.

Ted?

Ted Wartell
Hey. Afternoon. Thanks very much, Marcea. And, welcome, everybody, or welcome back, I think, to, to a number of you as well. Let me start with, a few thank yous of my own. First of all, thank you to Toi Roberts, in particular, who is hosting today's session and for work in that and, and, everything that went into organizing these sessions. Very much appreciated, and really to

Marcea and all of her team, for the work that went into, planning for this week's sessions. And, definitely a special thank you to everyone who's participating today.

We understand, we know well, these, these Plans are extensive and detailed, and, how much time, it takes to go through them and review them and prepare comments in response to our RFI and, and to prepare for the discussion today. So, very, sincere thank you for that. It is an extremely important part of FHFA's review of the of the draft Plans. And we really, I think, are much more effective as a result of all the, the public input that we, that we receive, on, on the Duty to Serve Plans.

This is, it has been quite a week. This is the last of our three listening sessions. And today we will focus on the affordable housing preservation market. I will tell you, we have already started, we're engaged with Fannie Mae and Freddie Mac, and provided, started to provide some feedback on the draft Plans, but it really will start to ramp up quite a bit even after these sessions, based on a lot of what we have heard this week, and I thank you in advance.

And, for people who have responded to our RFI, and the deadline for that is August the 12th, and for those who will be doing that. So all of that is, is, as I said, very, very important to how we interact with Fannie Mae and Freddie Mac the rest of the year, as we work towards finalizing the Plans for 2025 through 2027. So, we are looking forward to hearing from you today about, I'm just going to read this part, about what current activities the Enterprises should continue, potential changes they should make, and what new activities they should add to their Plans.

I believe we are going to start and, in just a minute, that both Fannie and Freddie are going to, briefly summarize, their approach and what they are, proposing to do in their next plan. And so we will move to that.

I will just say on behalf of our entire team, thank you again. I look forward to your comments on the RFI on August the 12th, and now I will turn things back over to Toi.

Toi Roberts
All right, great. Thank you, Ted.

Okay, before we move forward with today's agenda, I do have a few important housekeeping remarks. As you know, we have organized this webinar to, in order to obtain your input on the Enterprise's proposed 2025 through 2027 Duty to Serve Underserved Market Plans. The Duty to Serve listening sessions are open to the public for informational purposes only. The sessions are not intended for media purposes.

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 today, this meeting would not take the place of a public comment process. The rulemaking document would establish the public comments process and you would need to submit your comments, if any, in accordance with the submission instructions in that document.

FHFA may summarize the feedback gathered at today's session in a future rulemaking document if we determined that a summary would be useful to explain the basis of a rulemaking. Also, please keep in mind that nothing said in today's session should be construed as binding on or its final decision by the FHFA director or 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.

We have a great lineup of speakers we'll be looking to hear from today. We are expecting to 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 for you 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’s website and YouTube channel, along with any materials being presented today.

Now, as Ted mentioned, before we begin hearing from our guests stakeholder speakers, each Enterprise will speak briefly about today's listening session on the Affordable Housing Preservation Market.

First up, we will hear from Fannie Mae, and speaking from Fannie Mae’s Duty to Serve team is Ms. Kristin Axtell.

Kristin Axtell
Thank you. I think we have, perfect. We have a slide up. Good afternoon. My name is Kristin Axtell, and I'm a lead associate on the engagement and impact team at Fannie Mae, overseeing the execution of our objectives under the Affordable Housing Preservation market within the Duty to Serve Plan. I'd like to start with a thank you to Director Thompson and to the entire team at FHFA for hosting this session and for our opportunity to participate, as well as a thank you to all of today's speakers for taking the time to share their comments.

Engagements, such as today's listening session, provide an invaluable opportunity to hear directly from stakeholders on the challenges of today's market and the development of effective solutions for the preservation of affordable housing. During today's session, we'll be listening intently for your feedback and recommendations for the draft Plan that we've put forth for 2025 to 2027, which was created with your comments in mind following the listening sessions we held one year ago.

To recap, I'll spotlights some accomplishments from prior Plan years before previewing what's in our draft Plan for 2025 to 2027. In 2023 as a result of key partnerships and continued focus on how we can support the market for section 515, Fannie Mae purchased four of its first section 515 loans under, under Duty to Serve, which supported the preservation and rehabilitation of 248 rental units in rural areas.

As part of our work to promote energy efficiency in single family homes, we also met several milestones that focused on measuring and reducing energy cost burden for the consumer. In 2023, Fannie Mae launched the Energy Savings Program Finder, a web-based search tool compiling energy efficiency incentives, including rebates, grants and tax credits, where consumers can find programs for which they may be eligible.

We also pursued a test and learn to connect very low-income homeowners with resources under the Weatherization Assistance Program, which provides improvements and upgrades designed to reduce energy costs. Finally, we continue our work to model energy consumption and estimate cost burden for homes within our single-family book of business. Switching gears to the draft Plan the 2025 to 2027 Plan for Affordable Housing Preservation contains a total of 14 objectives, including five across the single-family market and nine in multifamily, and includes a mix of work that is represented in the current Plan, as well as some new objectives that we are pursuing for the first time.

I'll touch on a few now from each category. In terms of what's new, in support of the shared equity market. We will aim to simplify the lending process by conducting an analysis of our shared equity, loan performance and appraisal requirements. This analysis would help inform any potential changes to our process to promote efficiency. To support the rehabilitation of our nation's aging housing supply, we commit to evaluating a potential solution for renovations on a smaller scale, for repairs and improvements to promote the safety and longevity of single family homes.

In support of weather resiliency, we commit to supporting technical assistance programs that help to prepare multifamily property owners to adapt to weather related risks or prepare for natural disasters. And finally, we incorporate new goals for the purchase of multifamily loans secured by properties with sponsor-initiated affordability restrictions to support the voluntary creation or preservation of units that are affordable to low-income renters.

In terms of what's continuing, throughout 2025 to 2027, we will continue our commitments to provide liquidity to the multifamily affordable housing market by purchasing loans secured by properties under Section 8 and LIHTC, as well as state and local affordable housing programs. We will also continue to support technical assistance programs for section 515 properties that provide critical guidance for property owners and potential buyers as they navigate the process of refinance or transfer.

Building on our historical work to support standardization in the shared equity market, we will continue to facilitate the review and certification of shared equity programs through our Shared Equity Program platform, which went live in December 2023. To further our efforts to reduce homeowner utility costs, we will continue our work with the Energy Savings Program Finder, as

well as the implementation of key learnings around the energy efficiency and resiliency upgrades.

We will also work to identify potential alignment within our existing mortgage products with Inflation Reduction Act incentives and financing. That concludes our opening remarks. I'd just like to say thank you again for the opportunity to participate in today's listening session, and thank you in advance to all of today's speakers for their valuable feedback.

Toi Roberts
Thank you, Kristin. Now we will hear from Freddie Mac, and speaking from Freddie Mac's Duty to Serve team is Mr. Michael Morosi-Brown.

Michael Morosi-Brown
Thank you so much, Toi and thank you to Director Thompson and the entire FHFA duty to serve team for the opportunity to speak today about Freddie Mac's commitment to the affordable housing preservation market. Go to the next slide. Thank you much. The perspective of affordable housing advocates and industry participants more broadly informs how we think about our objectives and our targets, so we value the feedback that we're going to receive today from various stakeholders and, we look forward to reading your written comments as well. We also want to have opportunities to further the conversation after today, and so, you know, I know Erin from our single-family team mentioned that she hopes you all reach out directly to her.

I want to extend that invitation as well. So any of the multifamily objectives, please, my door's open. I want your emails, and I want to communicate with you about the different objectives in our Plan. As we look to the next Plan cycle for 25 to 27, from the multifamily perspective, there are a few key things that we're working to achieve.

First, we want to maintain our core purchase objectives, including those related to LIHTC debt section 8, support for state and local programs, and residential economic diversity. And when we look at the last six years of data in each of these spaces, we see that the percentage of our overall volume at Freddie Mac has continued to increase every year as it relates to the Duty to Serve program.

So, in short, our efforts to increase our targets year over year and continue delivering in these markets has continued to drive our focus there and increase the percentage of our business dedicated to the objectives. A second thing that, we want to achieve is to innovate on our Plan. So, our work in the LIHTC equity space is an example where we have been able to address affordability losses occurring through the qualified contract pathway.

So we have an objective in the new Plan that helps address the qualified contract pathway on the debt side, looking at our debt offerings and seeing what we can achieve through that. We also want to crack the code on how we can further extend liquidity to small financial institutions, CDFIs, and MDIs. We look to achieve that through a new multi lender Q-deal execution.

So we know that CDFIs play a vital role in supporting historically underserved communities. We also know that the loans the smaller institution make are extremely high impact, even if they

aren't done in extremely high volume. So we want to help drive that impact, by helping to allow smaller institutions to aggregate together to securitize through Freddie Mac executions, providing more liquidity to the market and addressing the key barrier that we've discovered. On the single-family side of our business we'll build on the advancements we've made over the last several years.

We'll continue to promote growth and standardization of the very small but important shared equity homeownership market, which preserves housing affordability over the long term, especially in high-cost areas. In addition to continuing to purchase shared equity loans and to enhance the shared equity offerings introduced under our Duty to Serve program, we will serve as a catalyst to help nonprofit organizations and localities stand up a shared home equity, shared equity homeownership programs according to best practices.

The technical assistance we provide to help navigate and facilitate the process will help increase shared equity homeownership opportunities and move industry standardization forward. Our other main focus will continue to be energy efficiency to help more people increase housing affordability by lowering their utility costs, we'll create tools that offer homebuyers and homeowners insights into how they might improve their home's energy and water efficiency.

We'll also continue to promote offerings we've created enhanced in previous years to help finance those improvements and continue to purchase loans in support of energy efficient homes. We've made substantial progress in advancing affordable housing preservation over the last several years, and we're looking to build on that work in the years to come. The Freddie Mac team thanks all of you for your contributions to the success of Our Duty to Serve program to date.

We welcome your comments on the 25 to 27 Plan, both today and through the formal written comments, and we look forward to working with you to continue preserving and creating affordable housing opportunities in underserved communities throughout the nation. Thank you again for your time and also for your support.

Toi Roberts
Thank you, Michael. All right, so without further ado, we will begin now to hear from our stakeholder guest speakers. and the first one that we have, that is Mr. Robert Rozen from Rozen and Associates.

Mr. Rozen?

Yes, okay. We hear you. Can you turn on your video camera? There you go. Thank you.

Robert Rozen
Okay. Thank you. My name is Robert Rozen. I'm an affordable housing policy attorney, and I've worked on the low-income housing tax credit program since its creation in 1986. I represent a number of nonprofit organizations that raise capital for investment in the housing credit program.

For the last several years, a number of affordable housing advocacy organizations have been working in a coalition to prevent two notable abuses in the program and undermine the long-term affordability and preservation of housing credit property. I'm referring to the qualified contract provision that enabled owners to terminate income and rent affordability restrictions at the end of the 15-year compliance period, and the right of first refusal provision that permits nonprofits to acquire full ownership of housing credit property at a limited price at the end of the 15-year compliance period. Most of my comments will be about qualified contracts.

As you know, this provision is a loophole that has caused the loss of approximately 10,000 units of affordable housing annually for the last several years. As a result of the efforts of our coalition, and with the strong support of the National Council of State Housing Agencies, we have succeeded in changing policies at the overwhelming majority of state housing finance agencies to prevent owners from having the right to go through the qualified contract process.

However, not all states have adopted this requirement, and fewer with regard to 4% bond deals. More importantly, owners of properties financed in the past, before a state change its qualified contract policy, are able to terminate their affordability requirements. They're able to convert an already scarce resource, affordable housing, to market rate rents even after receiving generous production subsidies for the federal government.

This is an untenable situation that exasperates an existing affordable housing crisis. We simply don't have enough affordable housing in this country, and it's our view that the federal government should not continue to favor properties that have used the qualified contract loophole with additional federal subsidies by permitting them to obtain mortgage debt supported by the GSEs. No one suggests that GSEs are bad actors engaging in policies and undermine the preservation of affordable housing finance to the housing credit program.

But the Housing Credit Program confronts significant preservation issues, and the GSEs can use their market position, especially on the debt side, to help preserve this housing. A year ago, 15 national affordable housing organizations wrote a letter to the FHFA urging you to implement policies on both the debt and equity side to constrain GSE activity. With regard to qualified contracts, we urge that GSEs be prohibited from acquiring multifamily loans on housing credit properties unless the owner has agreed to waive the qualified contract rights.

We've also urged that, that, that same rule apply to properties that have already gone through to qualified contract process. We applaud the action FHFA took last year to respond to another of our requests to prohibit GSEs from investing equity in any housing credit deal, where the owner has a right to early termination of the affordability, affordability requirements through the qualified contract process.

Now, we ask that you take the next step to address GSE, GSE activity on the debt side, which would have a much, much greater market impact. We've also made requests to HUD and the Rural Housing Service to limit access to their affordable housing products for qualified, contract eligible property. In its proposed Plan, Freddie Mac says that in 2025, it will further examine what opportunities it might have for appropriately limiting use of the QC provision in the context of loans purchased by Freddie Mac.

I applaud Freddie Mac for focusing on this issue. And while I recognize that fully understanding the market impact is a necessary consideration, it nevertheless seems like this issue is being hunted down the road for interminable delay while existing incentives remain in force to provide debt financing to owners who benefit from this loophole. We're halfway through 24, 2024 on an issue that 15 national organizations raised to FHFA in July of 2023. Freddie Mac's commitment in 2025 to examine what opportunities it might have to limit the use of the QC provision puts this matter off too far into the future.

We hope FHFA could move expeditiously to address this issue. At its core, our policy ask is very simple. Through its programs to support housing, the federal government should not make it easy, should not indirectly facilitate the business of companies that have abused a loophole in the housing credit program to raise rents on those in need.

And just touching briefly on the nonprofit right of first refusal, this is a program abuse by some investors have refused to recognize the negotiated rights of nonprofits to acquire full ownership of their housing credit property after 15 years. They've held up investor exits in return for cash payments not contemplated in the partnership agreement. Taking funds out of the property, out of the nonprofit, or causing higher debt and rents on the property. This is a clear abuse that the nonprofit affordable housing industry has attempted to remedy through litigation, legislation, regulatory guidance and changes to future partnership agreements.

While Freddie Mac mentioned this issue in the current Duty to Serve Plan, it is, it is not addressed in the 2025-2027 commitments. We believe both Freddie and Fannie should include language in all housing credit, partnership agreements that prevents investor abuse of this language. And with that, my time is up. Thank you for letting me offer my comments.

Toi Roberts
Thank you, Mr. Rozen. All right. So next up we will hear from Ms. Ayrianne Parks from the Enterprise Community partners.

Ayrianne Parks
Thank you. Toi, appreciate that. Appreciate the opportunity to participate in today's session on affordable housing preservation. As Toi mentioned my name is Ayrianne Parks, and I'm the Senior Director of Policy at Enterprise Community Partners. Enterprise is a national nonprofit that supports community development organizations on the ground, aggregates and invests capital for impact, and advances housing policy at every level of government.

Since 1982, Enterprise has invested $72 billion across all 50 states, D.C., Puerto Rico, and the U.S. Virgin Islands. We also own and operate affordable rental homes serving nearly 24,000 people in the Mid-Atlantic. I'd also like to note a huge milestone that we just celebrated in April - the creation of 1 million homes. The low-income housing tax credit, which is the nation's largest and most successful tool for encouraging private investment in the production and preservation of affordable housing, is essential to that work.

Enterprise is proud to be a member of the Underserved Mortgages Markets Coalition, a group of 32 affordable housing organizations working to expand mortgage financing to groups traditionally underserved in the market. Today, I will be speaking on the affordable housing preservation, especially through the housing credit. While be focusing on only a few issues in the interest of time, Enterprise will provide comments on additional aspects of proposals in our written response, including testimony that was provided by my colleague Jenny Rogers on Monday during the Rural housing session.

I want to start off by noting our appreciation of Fannie and Freddie's partnership in this crucial affordable housing program, and we are proud to count both as housing credit investors. We also thank FHFA for the opportunity to once again have this valuable discussion on affordable housing. We appreciate and acknowledge the alignment between Enterprise's mission and the vision that has been laid forth by Director Thompson for FHFA and the GSEs.

In reviewing the Plans, we have concerns that the baseline adjustments to key outcomes aren't appropriate given the continued and growing need to preserve affordable homes. Any adjustments should be calibrated to program specific estimates of market size in each Plan year, and should also reflect the new opportunities that are emerging as a result of new funding streams and policies that have been rolled out. Since reentering the market,

Fannie and Freddie have both deployed capital to support high impact affordable housing development across the country, including the development that preserve affordable housing, and we also recommend FHFA expressly include Duty to Serve credit for equity investments and preservation. As investors with an explicit public purpose, the GSEs should put the highest priority on the preservation of affordable housing affordability for the longest possible time period and addressing qualified contracts and right of first refusal should be explicitly incorporated in the GSEs Duty to Serve Plans.

With the significant loss of affordable units due to QCs each year, that was noted by Bobby in his remarks, my organization strongly advocates for the closing of the QC loophole through federal legislation, as well as through state level policies requiring QC waiver, as a condition of receiving housing credit allocation. Enterprise is concerned about the practices of some owners of Housing Credit limited partner interest, which have resulted in disputes and litigation over the terms of the limited partner's exit, particularly where a nonprofit holds a right of first refusal under the Housing Credit Program.

This litigation is contrary to the congressional intent with the ROFR provision and threatens the long-term preservation of these properties. As noted in previous remarks, and as one of the 15 signatories of the letter to FHFA, we were very grateful for the announcement last December that the Enterprises will only make housing credit investments in projects that waive QC provisions.

However, there are additional ways that FHFA and the GSEs can advance preservation priorities and just reiterate requiring housing credit funds in which they invest, including single investor funds, explicitly state in the fund partnership agreement that one of the business purposes of the fund is to identify and implement strategies to maintain properties as low-income housing subsequent to disposition.

Similarly, the GSEs should require the project level partnership agreements for the housing credit properties in which they invest include in their statements of business purpose a commitment to maintaining the affordability through the extended use period. FHFA should prohibit the GSEs from acquiring multifamily loans on housing credit properties unless the owner has agreed to waive their QC rights.

FHFA should also prohibit the GSEs from acquiring multifamily loans on properties financed with housing credits where the owner has taken the property through the QC process and terminated the rent and income limitations on the property. Enterprise supports the effort in Freddie Mac's 2022 to 2024 Duty to Serve Plan on including language and project level partnership agreement provisions intended to protect the nonprofit project sponsors from future transfer to parties who may move against their ROFR rights.

However, we did note the absence of this language in the current proposal. Both GSEs should commit to never transfer their interest to a purchaser who has a history of denying ROFR rights of nonprofits. Some allocators, such as New York City, have adopted additional policies to achieve the purpose of the ROFR Statute. FHFA and the GSEs should consider requiring that these provisions be included in the partnership agreements for projects in which they invest.

Lastly, I would be remiss if I didn't discuss the insurance crisis impacting providers of affordable housing. While this is not directly a part of Duty to Serve, it is an urgent preservation issue with skyrocketed insurance prices and increased climate risks, threatening the sustainability of our housing supply. We have several recommendations on ways the GSEs could help address this threat to our nation's affordable housing supply.

We call upon the GSEs to create processes that facilitate better insurance premiums to prospectively evaluate catastrophic risk and work with borrowers to access lower cost insurance. And they should also create grant programs to incentivize resilience and ensure their loan products can be twinned with other funding sources that make properties more resilient. On behalf of Enterprise, thank you again for the opportunity to weigh in on these important preservation issues today, which we would like to see incorporated in the next Duty to Serve Plans.

Toi Roberts
Thank you, Ms. Parks. Okay, so for our next speaker, we will hear from Mr. Mark Kresowik from American Council for an Energy Efficient Economy.

Mark Kresowik
Thank you very much, Toi and everyone listening today. Thank you for the invitation to share our thoughts on the Enterprise's next Duty to Serve Plans. My name, as said, is Mark Kresowik.

I'm the Senior Policy Director for the American Council for an Energy Efficient Economy, or ACEEE. We are the nation's leading energy efficiency research, technical assistance, and advocacy organization, with a particular focus on ensuring those who have been most

underserved by our current political, economic and energy systems are first in line to take advantage of the myriad benefits of saving energy.

As such, we are one of the 35 members of the Underserved Mortgage Markets Coalition and have a tremendous appreciation for the role and impact that FHFA for the Enterprises, and particularly these Duty to Serve Plans have towards that goal of affordable housing preservation, in part through improving energy efficiency and resilience in particularly underserved mortgage markets. I also had the opportunity to testify last year, and unfortunately, my message has only become far more urgent.

As Ayrianne said just a few moments ago, the importance of addressing climate risk is only accelerating. When I spoke last year, we were in the midst of an unprecedented heat wave. Wildfires were raging and polluting our air. Floods were wreaking havoc in the northeast. And insurance companies had started fleeing the states most impacted by climate disruptions, such as Florida, Louisiana, and California.

Unfortunately, again, the heat, the flooding, and the insurance costs are even worse so far this summer. Yesterday, it reached 100 degrees here in DC, and the corresponding risks posed to housing finance markets and underserved communities and households in particular, are escalating as well. Millions of households in Houston went without power and air conditioning last week in the wake of Hurricane Beryl.

The number of households purchasing insurance from insurers of last resort has skyrocketed. We cannot continue business as usual. Unfortunately, that is largely what these do Duty to Serve Plans do. There are a lot of great things the Enterprises are already doing and proposing to continue to do in these Duty to Serve Plans. Fannie Mae's commitment to expand the Energy Efficiency Incentive Finder and Weatherization Assistance pilots, as well as implement the electrification roadmap, are wonderful and commendable.

Freddie Mac's work to incorporate energy efficiency incentives into the Uniform Appraisal Data Set, and the energy efficiency incentives into DPA1top that list. But they otherwise fail to meet the needs of this moment to fulfill their mission of affordable housing preservation. Freddie Mac, for instance, acknowledges that other federal housing agencies have committed to ensure most homes they support meet modern building energy codes.

Unfortunately, neither Enterprise have yet taken that same action. We appreciate the Director's testimony to Senator Van Hollen that a recommendation would probably be forthcoming by the end of the second quarter. Unfortunately, that time has passed, and we have not yet seen that recommendation and movement from the Enterprises. And as a result, homes supported by the Enterprises are being built every day that are not prepared for the future we have wrought.

With insufficient insulation, air sealing and structural integrity in the face of these extreme weather events. As a result, households will face higher energy, insurance, retrofit, and rebuilding costs. Houses built to modern building codes could keep people safe and comfortable for a significantly longer time if and when is faced with a situation like that in Houston last week.

The challenges to financing energy efficiency retrofits that are framed by the Enterprises in these Duty to Serve Plans aptly demonstrates why it is so important to build homes right in the first place. It is past time for FHFA and the Enterprises to take action to lower home energy costs and increase resilience by requiring modern building codes. We also appreciate that higher interest rates have reduced interest, unintended, in using the Enterprise's energy efficiency financing products and corresponding loan purchase targets for energy efficiency loans.

However, the Duty to Serve Plans completely missed their mark when it comes to the blueprint recommendations from the Underserved Mortgage Markets Coalition to coordinate with the Greenhouse Gas Reduction Fund financial intermediaries. Those entities will have significant capital to offer lower financing rates for energy efficiency and electrification retrofits for underserved households and communities. They will also face many of the same challenges that the Enterprises have encountered to date, such as the lack of easy access to energy data from utilities.

This is an unprecedented opportunity to drive transformation across the market. While those entities, those financial intermediaries, will have sufficient capital for the foreseeable future, coordination with the Enterprises could both help overcome those barriers that the Enterprises have tremendous experience with, and set the country up for a sustainable market for these financing opportunities in the future. The Duty to Serve Plan should specifically detail how the Enterprises will work with those entities, those financial intermediaries supporting the Greenhouse Gas Reduction Fund to scale energy efficiency and electrification finance for underserved households, and increase affordable housing preservation.

Right now, there isn't a mention specifically of those entities or how that can be done. FHFA, and the Enterprises have acknowledged the massive risks that climate change poses to the stability of housing finance, particularly when it comes to affordable housing preservation. Too many households are faced with these escalating energy burdens, insurance prices, retrofit costs in the face of extreme heat and weather. Previously affordable housing is becoming unaffordable or being destroyed.

People are dying. This is not a time for delay or half measures. You must take action directing the Enterprises to require that new homes are built to modern building codes, and to coordinate with the financial intermediaries in implementing the Greenhouse Gas Reduction Fund to help overcome the many barriers to scaling energy efficiency and electrification electricrification financing for low-income households.

Thank you very much.

Toi Roberts
Thank you. Mr. Kresowik. Okay, so now we will hear from Ms. Erin Burns-Maine and the Community Preservation Corporation.

Erin Burns-Maine
Excellent. Thank you. Good afternoon. And thank you to the FHFA for this opportunity to comment on the Duty to Serve Underserved Market Plans. My name is Erin Burns, and I'm the Senior Vice President of External Affairs and Policy for the Community Preservation Corporation, a 50 year old nonprofit CDFI, the largest CDFI in the nation dedicated to investing in multifamily housing, having leveraged over $15 billion to create and preserve more than 225,000 units of affordable and workforce housing.

CPC co-owns and operates CPC mortgage company, LLC, a subsidiary and first of its kind partnership of impact driven nonprofit mortgage lenders and investors, along with our partners at National Equity Fund and Cinnaire. CPC Mortgage Company is driving social impact as the only nonprofit multifamily mortgage lender with multiple licenses at Freddie Mac, Fannie Mae and the U.S. Department of Housing and Urban Development and the FHA, CPC provided comments at last year's Duty to Serve public listening session, and we're honored to provide them again this year.

The Plans outline vital steps to preserving and expanding the affordable housing market at a time of unprecedented need. CPC supports the Enterprise's commitment to addressing the most pressing obstacles to liquidity in this market through their technical assistance and loan purchase programs, and we urge the Enterprises to go further in addressing climate resiliency and rising insurance premiums across the industry.

Low- and middle-income communities are often the first and most directly impacted by climate change. Making the affordable housing stock climate resilient is therefore crucial to mitigating these impacts. Multifamily housing plays an especially important role in climate resiliency, with at least 57% of households living in multifamily buildings defined as LIDAC, low-income and disadvantaged communities. With the passage of the Inflation Reduction Act, the Enterprises should act on the significant opportunity to spur deep decarbonization of both multifamily and single-family housing.

While the Enterprises' support of efficiency improvements in affordable housing is commendable, they should lead the markets in pushing for more aggressive tax targets in efficiency with an eye towards net zero buildings. To do so, we'd recommend prioritizing loan purchases of properties that meet the Department of Energy's national definition of a zero emissions building, which requires buildings to be energy efficient, free of onsite emissions from energy use and powered solely from clean energy.

We recognize that this is a standard difficult for many existing buildings to meet. At a minimum, the Enterprises should require a 20% reduction in energy and/or water consumption of at least 15% should come from projected energy savings. As the housing industry adapts to decarbonization, the goal should be to increase the overall target to 35%, with a minimum of 20% coming from projected energy savings.

In addition to mitigating the worst impacts of climate change, increasing energy efficiency and decarbonizing multi-family housing will yield lower utility costs for residents, a major factor in housing affordability for low-income households in multi-family dwellings. Alongside this focus

on building efficiency, Fannie Mae's Plan calls out the need to support disaster preparedness and resiliency through TA programs, but it fails to address concerns that insurance and disaster assistance may not be enough to protect lenders, borrowers, and residents from strong and more frequent climate events.

Growing climate risks are leading the insurance, increases to insurance premiums, and that's only on top of already rapidly climbing premiums for affordable multifamily. According to a study of, by the Bipartisan center, between 2020 and 2023, multifamily insurance rates increased by an average of 12.5% annually. Stewards of Affordable Housing for the future, a coalition of 12 of the nation's leading affordable housing providers, saw their members insurance premiums increase from 10 to 40% year over year during that same period.

While there's a multitude of drivers contributing to the rising cost of insurance, key factors include the limited markets curtailed by insurance providers withdrawing from markets, they deem to risky, insurance increases in large payout events, and the vulnerability of specific renter populations. Across the Enterprises a strategy is needed for managing the escalating costs of insurance for multifamily affordable housing, due to both climate risk and the factors that are contributing to rapidly rising rates.

Addressing the capital gap for resiliency investments is an important part of the strategy, and it would help reduce insurance costs and mitigate climate impacts. Moving on to the loan purchase program, the Enterprises provide vital liquidity to state, local and housing programs like section 8, LIHTC, and RAD. We applied, we applaud Fannie and Freddie commitments to preserving low to moderate income housing produced under these programs.

These programs have a proven track record of lifting houses out of poverty, and we strongly support their commitment to prioritizing these partnerships with lenders and housing practitioners in the markets. We also applaud the Enterprises commitment to supporting the unique liquidity needs of CDFIs and small lenders. Providing liquidity to these institutions is crucial to meeting the financial needs of sectors with limited access to capital.

We support Fit, Freddie Mac's plan to enhance its securitization platform and Q Deal program structure to remove program barriers to CDFIs and other institutions with relatively low aggregated debt. We would also welcome the opportunity to work with the FHFA and the Enterprises to find additional ways to serve CDFIs, small lenders, and small buildings. CPC is committed to collaborating with the Enterprises to address the needs of affordable housing preservation market.

We believe that with more aggressive resiliency targets and a comprehensive approach to rising insurance premiums, we can drive significant progress in making multifamily housing more sustainable and more affordable. We appreciate the opportunity to testify at this listening session and look forward to continuing our partnership to ensure that the affordable housing market is robust and resilient for the future.

Thank you, and I'm happy to answer any questions.

Toi Roberts
Thank you, Ms. Burns-Maine. Okay, so our next speaker is Mr. Dan Emmanuel from the National Low Income Housing Coalition.

Dan Emmanuel
Hello. Thank you, Like you said, my name is Dan Emmanuel, and I'm a Research Manager at the National Low Income Housing Coalition. I'd like to start by thanking the FHFA for inviting NLIHC to speak.

And for those of you who don't know us, NLIHC is a national advocacy and research organization based in Washington, DC, and we focus on federal housing policy for the lowest income renters. One of our long term research projects is the National Housing Preservation Database, which we co-manage with the Public and Affordable Housing Research Corporation. In recent years, our research with the NHPD has focused heavily on LIHTC preservation challenges, both in terms of direct threats to the stock and data issues that undermine effective preservation planning and research.

I'm going to keep my comments brief, though, and focus specifically on the qualified contract issue in the LIHTC program. Recently we conducted an updated historical analysis of HUD's LIHTC Property Database to estimate the total loss of units to qualified contracts. And we found that as many as 155,000 units have been lost to the QC loophole since 1990, and other estimates are estimates from other organizations suggest that we may be losing about 10,000 units a year to the loophole.

And all of this is even more concerning, when we consider that over half of tax credit tenants have extremely low incomes and are already at acute risk for housing instability. So obviously, the QC loophole issue is an acute concern for LIHTC preservation and most importantly, for the housing stability of the lowest income tax credit tenants. And FHFA clearly recognized this last year, when they took the crucial step of requiring the GSEs to implement policies to only invest in LIHTC projects where the owners waive the right to a qualified contract.

However, we believe there's still more that can be done to mitigate the QC issue and focus resources on LIHTC owners who are committed to preserving affordability of their properties. Accordingly, NLIHC strongly urges FHFA to take the following further actions regarding the QC loophole. One, prohibit the GSEs from acquiring multifamily loans on LIHTC properties unless the owner has agreed to waive their QC rights, and two prohibit the GSEs from acquiring multifamily loans on properties financed with LIHTC where an owner is taking the properties through the QC process. NLIHC strongly supports any further actions that FHFA and by extension, the GSEs, can take to discourage the use of the qualified contract loophole and focus resources on LIHTC owners who are committed, truly committed to preservation.

Thank you for your time and consideration.

Toi Roberts
Thank you, Mr. Emmanuel. Okay, and so our next speaker is Ms. Sharon Cornelissen from the Consumer Federation of America.

Sharon Cornelissen
Thank you so much, and thank you for this opportunity to comment on the proposed, Duty to Serve Plans. My name is Sharon Cornelissen, and I'm the Director of Housing at the Consumer Federation of America. CFA is a national pro consumer research and advocacy organization, and we represent over 200 local pro consumer groups nationwide.

CFA is also a member of the Underserved Mortgage Markets Coalition. My comments focus on what I see as key risks and opportunities in the single-family market, and how the proposed Duty to Serve Plans could become even more ambitious, impactful, and responsive to market conditions. As we all know, and I've seen from the other remarks, today we are facing a shortage of affordable homes across the nation.

Newly built homes today rarely fall within, the price range of low to moderate income homebuyers. And the affordable housing stock that does exist is quickly aging. Climate change is also introducing new challenges to sustainable homeownership, such as through steeply risen home homeowners insurance premiums that we've seen over the last few years, but also rising costs of utilities.

All this makes investing in resiliency and energy efficiency all the more important. It's important to realize that climate disasters don't, do not only pose risks to individual homes and individual homeowners, but also to the mortgages and to the secondary markets that underwrites them. As a result, the Duty to Serve investments that Fannie Mae and Freddie Mac make ultimately also support their broader business model.

I'd like to make three main comments today. First, while I applaud the Enterprises for for their hard work in putting together these thoughtful Plans that are full of, of, rich ideas, I'd like to point out that, many of their proposed benchmarks for the next three years are disappointingly low. For example, Freddie Mac averaged around, 7,000 to 7,100 units in RED loan purchases over the last three years. But citing economic headwinds, they only set a goal of reaching, 5800 units in 2027. Fannie Mae, similarly lowered its expectations, for its activity.

This raises the question, can we still call it a Duty to Serve activity if the goal, three years down in 2027 is lower than what, they averaged over the last cycle? After all, the goal of Duty to Serve is not just to follow an expanding or contracting housing market, but to truly help drive opportunities. Part of this means taking calculated risks and not only launching, but also truly scaling up pilots. for. Similarly, it's not acceptable, to stay in pilot mode for two full Duty to Serve cycles for six years. Right? For example, this, you know, Freddie Mac set a goal of hitting, 165, s165 shared equity loans in 2027, even though they, they reached an average of 138 loans over the last three years. Right.

So this is a very marginal improvement, especially considering their overall portfolio of, of loans that they serve. We, we kind of can expect more ambitious, goalposts there, there. So I encourage both Enterprises to be more ambitious and to truly take their place as leaders in the mortgage industry and to drive change, rather than to set exceedingly low benchmarks in a sort of dried up, marketplace.

Second, and this was mentioned before, too, by Freddie Mac in this in his presentation here, I encourage both Enterprises to further expand securitization access for small lenders and for more unusual mortgage products that are currently not being served by Fannie and Freddie. I should point out that all the products, all the innovative products that Fannie Mae and Freddie Mac offer today are only available to large lenders that already have access to the Fannie or Freddie securitization platform. Duty to Serve obligations, as a result, currently can only be fulfilled through these existing, existing relationships.

So to truly expand, Duty to Serve impacts and activity, Fannie and Freddie need to expand secondary market access to include these small lenders, institutions, including MDIs and CDFIS. As I said, only Freddie Mac currently includes allusion to this idea in the proposed Plans when they write about developing new securitization products for lenders serving multifamily and rural housing. But I think it's really key that both Fannie and Freddie, further expand securitization, access, which will help them truly fulfill and expand their duty to service impact.

Third, and finally, I wish to emphasize the importance of, the importance of targeted equity investments. FHFA can help here by clearly authorizing and encouraging these types of investments. Under Duty to Serve, these, investments can be a very helpful to, to, to really, reach broader Duty to Serve goals.

In addition, sort of the activities that are, listed in the Plans today, an example of an equity investment is a credit enhancement tool that would help the Enterprises lower risk and securitize affordable mortgage products, that are originated by MDIs or CDFIs, for example. Such an investment tool would allow them to securitize products that have a broader credit box than is currently permissible under, sort of, Fannie and Freddie’s standards. For example, that kind of the credit enhancement tool to offset that risk, or to help securitize unusual products, such as small dollar mortgages, for example.

I think that, you know, really deploying these types of targeted equity investments, alongside the products of their offer, as well as really expanding securitization access for smaller lenders, will truly help them better serve the affordable markets that they're seeking to serve with the Duty to Serve.

So these are my remarks. Thank you very much.

Toi Roberts
Thank you, Ms. Cornelissen. All right, so, this now brings us to our halfway mark, where we will take a ten-minute break. So it's 1:56 now, let's return at 2:06. See you guys back in ten minutes. Thank you.

10 Minutes Break

Toi Roberts
All right. Hello and welcome back.

That concludes our ten-minute break. So moving on.

But before I move on to hear from the rest of our stakeholders, I do, I would like to remind you that that the due Duty to Serve listening sessions are open to the public for information purposes only. The sessions are not intended for media purposes.

Okay, all right. And, so next up, we have as our next speaker, Mr. Greg Zagorski from the National Council of State Housing Agencies.

Greg Zagorski
Thank you. On behalf of the nation's State Housing Finance Agencies, or HFAs, we thank you for the opportunity to address FHFA regarding the government sponsored Enterprises' Duty to Serve Plans for 2025 and to 2027.

You know both Fannie Mae and Freddie Mac, currently working with the HFAs or through HFA programs to meet various Duty to Serve needs include housing credit, investments, expanded GSE support for manufactured housing lending and resident owned manufactured housing communities, and lending to low and moderate income families in rural areas. And as Fannie and Freddie prepare to enter their third Duty to Serve Plan cycle, we encourage each firm and FHFA to continue seeking opportunities to collaborate with HFAs and establish open channels by which HFAs can approach them with possible Duty to Serve initiatives. Because really, the Duty to Serve rural and HFAs affordable housing missions really dovetail perfectly.

So I'll speak specifically about perhaps the most impactful, Duty to Serve initiative, which is the GSEs housing credit investments for properties located in rural areas. Housing credit investments are currently one of the GSEs most effective strategies for servicing the housing needs of rural America. Since the Duty to Serve rule took effect, the GSEs combined have made over 4.2 billion in housing credit investments to support over a thousand properties, including 127 of properties in high needs rural regions. And these investments have injected critical liquidity into the housing credit market at a time when higher interest rates have increased the cost of developing affordable housing.

At the same time, housing credit market for properties based in rural areas faces other challenges, including a lack of investors and the need to set rents at lower rates to meet program standards. That makes the GSE involvement all the more critical. To that end, given this importance, we thank FHFA for increasing the 2024 cap for each GSEs housing credit investments from 850 million to 1 billion.

And we really appreciate that in the proposed Plans for 2025 through 27, both Fannie and Freddie propose to continue being active participants in the housing credit markets despite market and regulatory headwinds. And we'll get into one of those regulatory headwinds in just a second. Looking forward, we urge FHFA to work with both Fannie Mae and Freddie Mac to maximize their involvement in the housing credit market, which is given their interest and their strong activity already.

And we also asked FHFA to consider allowing the GSEs to receive Duty to Serve credit for housing credit investments that support other Duty to Serve mission areas. Not rural real housing, but also manufactured housing communities or affordable housing preservation. We also want to briefly applaud FHFA for directing Fannie Mae and Freddie Mac to limit their housing credit investments to properties where the owner has waived their right to a qualified contract, as has been discussed by previous speakers. And we urge you to consider extending this policy towards GSE loan purchases of loans on housing credit properties.

Alright, moving on then. There’s just one regulatory issue which we think is really kind of holding back Fannie Mae and Freddie Mac's investment activities and that pertains to whether Fannie Mae and Freddie Mac qualify as tax exempt controlled entities, which seems kind of esoteric. But it's had a real impact because concerns that both of these entities may consider, qualify for that status has limited their ability to participate in multi-investor pools, which are the most common means of investing in housing credit, even those in rural areas, because other investors, private investors, wouldn't want to participate in those pools, because if there is a tax exempt controlled entity in it, they don't benefit from the same kind of tax extent. That just limits other tax benefits that they can take. And since that concern has arisen, it has limited Fannie Mae and Freddie Mac's abilities to participate in those pools and it caused them to cut back their housing credit investment targets for 23 and 24. And we understand Fannie Mae has worked around kind of a, a strategy to kind of counter that and allow them to participate in some pools. But, you know, we understand that may not be a permanent solution. So we have urged FHFA to kind of work with Treasury to clarify that Fannie and Freddie are not tax exempt controlled entities.

In the meantime, we are actually working to advance legislative language that will direct FHFA and Treasury to work together to resolve this. But in the meantime, we hope FHFA continues to kind of work with Treasury to provide that clarity, so that we can support more robust housing credit investment activity for both Fannie and Freddie. You know, there's another critical step the GSEs can take to support affordable housing in rural areas and that’s to provide funding and equity investments for USDA section 514 and section 515 affordable housing properties.

Many of the properties under these programs have had their mortgages mature in recent years, which means they're no longer, subject to the current rental section of the affordable housing requirements and also can't receive rental assistance, and at the same time, both of these programs have seen their funding decreased significantly. So their ability to kind of produce new housing has decreased. So really, you're seeing a significant decrease in affordable rental options for rural rentals. So that's for renters, that's a serious concern. So we urge FHFA, Fannie Mae and Freddie Mac to consider special products or financing to help these properties remain affordable.

And we particularly want you to focus on those properties are going through USDA's new decoupling initiative, which allows USDA properties whose mortgages have matured to remain eligible through rental assistance through the Rural Housing Service Program. That has been done on a pilot basis, and there's an effort to kind of make this more permanent. But GSE support for these properties could really make this program a big success, and to keep these affordable rental housing options available in our rural communities.

One other area I notice is the Housing Preservation Fund, which, at the time we're speaking, is, you know, rural homeownership, which is also a component of Duty to Serve Plans. State HFAs have a strong track record, responsibly, sustainably funding affordable homeownership lending to low- and moderate-income borrowers in underserved communities, including rural regions. To further support affordable homes in rural areas, we urge FHFA and the GSEs to maintain the competitive advantage of their HFA specific products. It's Fannie Mae HFA Preferred and Freddie Mac HFA Advantage. Those, kind of preferred pricing and other preferred terms really do help make homeownership a reality for low- and moderate-income and even middle-income households in those areas.

And we recommend that the GSEs work with HFAs to develop other new products and industries to expand credit to rural borrowers. Thank you very much for the opportunity.

Toi Roberts
Thank you, Mr. Zagorski. Now we will hear from Althea Arnold from the Stewards of Affordable Housing for the future.

Althea Arnold
Thank you, Toi and hello, everyone. My name is Althea Arnold, and I'm the Senior Vice President for Policy at Stewards of Affordable Housing for the Future. On behalf of SAHF, thank you, FHFA and the Enterprises for this opportunity to comment on the 2025 to 2027 Duty to Serve Plans.

We are pleased to be here with fellow industry partners, including those also serving on the Underserved Mortgage Markets Coalition. SAHF is a collaborative of 12 multistate nonprofits who collectively own, operate and manage about 150,000 affordable rental homes in 2,000 properties across the country. Loans purchased by the Enterprises are just one important source of the capital that our members use to create and preserve affordable homes.

We appreciate this capital, but we also appreciate the role that the Enterprises can play in sparking innovation and best practices among investors in the investment market. Now, given SAHF's purview and today's call, I'm obviously going to be focusing in on multifamily affordable housing preservation market and practices. And as others have highlighted already today, we continue to see threats to the financial and physical health of the aging housing stock, such as the accelerating loss of low-income rentals, a cliff of housing credit properties reaching the end of their 30 year affordability restrictions, and the increased use of the qualified contract loophole, and challenges to the right of first refusal on housing credit properties.

To keep my comments brief here, though, I would just like to echo my colleagues, Ayrianne Parks from Enterprise and Bobby Rosen on the recommendations to urge FHFA to work with the Enterprises, to prohibit them from investing in and acquiring loans on properties in which the owner has not agreed to a qualified contract waiver, and to bar the GSEs from acquiring loans on properties where an owner has already taken the property through the QC process.

Also in SAHF's comments on the 2022 to 2024 Duty to Serve Plans, we highlighted challenges to the nonprofit's rate of first refusal or ROFR, as one of the most significant challenges to the

housing credit program and long term affordability. We are pleased to see Freddie Mac's decision in that Plan to help preserve nonprofit control by including language in its standard partnership agreements intended to prohibit the limited partner interest from being sold to a party with a history of attempting to frustrate, reverse, and making this language available to all syndicators.

We understand that these actions will not put a full stop to ROFR disputes, but it was a welcome and needed signal to the investment market. We'd further encourage the Enterprises to consider adopting even stronger language to protect ROFRs and preservation, comparable to what several allocating agencies have already done. QCs and ROFR challenges are only part of the preservation challenges that we're seeing, though.

I wanted to spend a little time talking about the preservation threats that were percolating before the pandemic, but have also just reached a crisis level now. SAHF members and other affordable housing providers, especially those serving those the deepest needs, are experiencing a perfect storm of unpaid rent, maintenance deferred during the pandemic, skyrocketing insurance costs, high staffing costs, and increased operating expenses that are threatening the physical and financial sustainability of affordable, quality rental homes, and the mission driven organizations that provide those homes.

According to a recent survey we conducted of SAHF members, the number of properties operating at a deficit increased by 79% since 2018, and we know that number doesn't tell the full story of the cost of rent concessions, advances to properties, and reserves already used to address property needs. In the near term, we are already seeing properties having to defer, maintenance, reduce or discontinue resident services and make other tough decisions that immediately impact quality of life.

In the longer term, when properties aren't cash flowing and their physical needs have been deferred, it can be more difficult and expensive to obtain the loans and investments that might address their needs and restore them to financial health. These challenges reinforce the urgent role that the Enterprises can and should play in addressing affordable housing preservation.

Finally, just in response to the Plans, I wanted to note, that while we recognize that the conditions, market conditions have shifted substantially, we would urge FHFA and the GSEs to provide more detailed market information for each preservation activity so stakeholders are better able to discern the appropriateness of proposed baselines and allow the GSEs to reconsider loan targets. And finally, it's also challenging to review and make recommendations on the Duty to Serve Plans due to a lack of information on how the activities are counted. This is often because of how affordable housing is financed, a low-income housing tax credit property can have GSE debt, Section 8 subsidies and soft resources from state and local housing trust funds.

So in that case, for example, would the project meet and be counted across multiple activities or just one? So we recommend that FHFA explain more broadly, to the public how those are accounted. SAHF appreciates the opportunity to share these comments in response to the GSEs 2025 to 2027 DTS Plans, and we look forward to further collaboration and engagement.

Toi Roberts
Thank you, Ms. Arnold. Our next speaker is Mr. Mark Kudlowitz from the Local Initiatives Support Corporation.

Mark Kudlowitz
Hello, everyone. I'm Mark Kudlowitz. I'm a Senior Director of Policy at the Local Initiative Support Corporation, or LISC, and I'm pleased to provide comments today on the affordable housing preservation components of the 2025 to 2027 Duty to Serve Plans. Established in 1979, LISC is a national, nonprofit, housing and community development organization and certified CDFI dedicated to helping community residents transform distressed neighborhoods to healthy and sustainable communities of choice and opportunity.

Our organization has a nationwide footprint, with local offices in 37 cities and a rural LISC network where we partner with almost 150 HUD affiliated community based organizations serving small towns. Last year, LISC invested over $2.8 billion in these communities. Our work covers a wide range of activities, including housing, economic development, building family wealth and incomes, education, and creating healthy places.

LISC is also a member of the Underserved Mortgage Markets Coalition, a collection of affordable housing organizations that work to expand mortgage financing to groups traditionally underserved by the market. We generally believe that the Duty to Serve effort should focus primarily in supporting and expanding transactions that improve affordable housing opportunities in underserved geographies and for underserved people. We commend the outreach of the Enterprises and FHFA in developing these Plans.

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Mark Kudlowitz
I believe that the type of transactions that will expand these choice and opportunity are often smaller, more labor intensive, and have different risk profiles that is typical of unconventional mortgage underwriting. CDFI’s have worked in underserved communities for many years and has firsthand knowledge of these markets and partners. We are adept at mitigating the risks that are often inherent in investing in them. With our strong loan portfolio,

CDFIs are natural partners with Enterprises for leveraging the Enterprise's liquidity and expanding investments in these places. My comments today will focus on affordable housing preservation, which is a critical component of this broader strategy for community revitalization and economic mobility. We support these activities through technical assistance activities in our national footprint, through LISC’s own financing activities and those of the National Equity Fund, our nonprofit Low Income Housing Tax Credit Credit Syndicator Affiliate.

The GSEs provide critical equity and debt financing for LIHTC projects. Investment activities are currently a small portion of Duty to Serve activities, although since 2017, FHFA has allowed each GSE to annually invest in LIHTC projects. Last year, the FHFA increased the LIHTC investment cap from $850 million to $1 billion. Any investments above 500 million a given year are required to be in areas that have been identified as markets have difficulty attracting investors, such as rural communities.

These investments are designed to preserve affordable housing and support mixed income housing and meet other objectives. We thank them FHFA for raising the caps last year and recommend that their continue to be raised by at least an inflationary adjustment factor on an annual basis, and then a portion of the extra investment authority be dedicated to underserved LIHTC markets.

These investments should also be eligible for Duty to Serve credit and the set asides needed, since the GSEs provide critical support for projects generally not located in Community Reinvestment Act markets. I would note as well, but the GSE should, take into account next year's potential tax bill, which could significantly increase the local housing tax credit program, and make, commensurate adjustments to their investment cap to ensure stable pricing and have enough investors available for that.

And speaking of LIHTC, we shared, the feedback offered by Enterprise, by Bobby Rosen, by SAHF on qualified contracts. As the folks on this call know, we are losing around 10,000 units annually to abuse of the qualified contract provision. we applaud FHFA for precluding this for their equity investment activities going forward.

But we still do believe, as with our partners, that the FHFA should prohibit the GSE from acquiring multifamily loans and housing private credit properties unless there's been a waiver by the owner of their QC rights and from acquiring property, loans and properties financed where owner has already taken the property through the QC process and terminated the rent and income limitations for the property.

Although outside the scope of this session, we also believe the Federal Home Loan Bank system should be precluded from using affordable housing program funds, advances, or other financing for properties where the owner does not agree to waive their QC rights. We applaud Freddie Mac for including a QC activity in their Duty to Serve Plan, which, as Bobby noted, stated that through consultation with stakeholders, it will explore precluding this for its debt offerings.

Fannie Mae does not include any QC activities in its Plan. We believe both GSEs should include such protections and note that there's increasing precedent for utilizing other federal subsidies and loan programs to prevent this practice. For instance, the US Department of Treasury included such requirements for states and localities using state and local fiscal recovery funds for affordable rental housing and the US Department of Agriculture is also working to include it, with their section 538 Guaranteed Rural Rental Housing Loan Program.

We recommend that FHFA require QC waivers as a condition of accessing GSE multifamily debt so that publicly backed multifamily mortgages are not being utilized in conjunction with these transactions. For section 515, Fannie Mae has proposed loan purchase goals for preserving properties financed under the program. They will continue to purchase loan secured by 515 properties in state They will purchase 85 for each year of the Plan cycle. We applaud Fannie Mae for focus on preserving 515 properties since these are critical housing resources in rural communities. And I won't get into all the stats, because I think folks on this call know that. We

support Fannie Mae's loan purchase goals and appreciate the efforts put in to date to purchase loans on properties for the first time in 2023.

Freddie Mac does not include a section 515 loan purchase or technical assistance activity goal. LISC recommends that Freddie revise their Duty to Serve Plans to include section 515 loan purchase goals, and to determine if there's a need for additional technical assistance activities to owners. We know that Congress recently provided USDA authority to retain section 521 rental assistance contracts at properties with maturing section 515 mortgages.

USDA is currently implementing this decoupling preservation program, and there will be a need for private debt and equity sources to help recapitalize this older housing stock. The ability for owners to retain section 521 RA should help leverage this capital, and Fannie and Freddie should determine, in conjunction with USDA, how they can support such activities through loan purchases. We recommend that FHFA include a new DTS activity for both Fannie and Freddie, focused on loan purchases for properties with a standalone section 521 rental assistance contract, since right now the goal for Fannie is for properties with a section 515 mortgage, but there will now be properties that have standalone 521 budget based contracts. In addition, the GSEs should utilize their technical assistance activities to support owners interested in preserving their process or properties through this decoupling process. I thank you for the opportunity to provide feedback today on the GSEs Affordable Housing Preservation Duty to Serve activities.

We encourage FHFA and the Enterprises to continue their commitment to this sector by increasing their role in preserving affordable housing and rightfully creating new markets for their caps. Thank you.

Toi Roberts
Thank you, Mr. Kudlowitz. Our next speaker is Mr. Brian Stromberg from the Grounded Solutions Network.

Brian Stromberg
Hi. Thank you, Toi. Hello, everybody. I just want to introduce me. I am Brian Stromberg. I'm the National Policy director for Grounded Solutions Network. We are a national nonprofit membership organization. We advocate for shared equity homeownership and lasting affordability. Like many of the other presenters on here, we're also members of the Underserved Mortgage Markets Coalition.

And, where my comments are exclusively focused on shared equity, there have been a lot of really great comments on other aspects of the Enterprises activities and FHFA’s regulatory responsibilities. I just want to open with a comment in general about the opportunity that shared equity represents. Both of the proposed Plans include the observation that the shared equity field is small.

This is true. Everybody knows it. It has implications for the Enterprise activities. But I really think that focus on the size of the market really undercuts the underlying potential of shared equity, which is better positioned than so many other models of affordable housing to have a

huge impact on underserved communities. Shared equity models provide an avenue for wealth building.

They provide stability in communities experiencing displacement and pressure from accelerated development. And the sector also has extremely low default rates. These are not risky investments that we're asking folks to support. Attacks the problem of affordability from both sides, these model support demand while also providing a permanent supply of affordable ownership opportunities. I say all this because the Enterprises, large and well-resourced as they are, have a huge opportunity sitting right in front of them to have a real impact on underserved communities.

I recognize that there are statutes requiring their participation in the shared equity market, but I would urge them to look beyond the statutory and regulatory requirements and see the potential that shared equity has to build strong, stable communities and provide opportunity to households who in both, today's market and historically have been cut out of homeownership. With that preamble out of the way, I'll began with Fannie Mae.

Our read the Fannie Mae's Plan is that they're largely working to maintain something of a status quo and their engagement in shared equity. They propose to continue the use of the shared equity certification platform, as a method of simplifying loan delivery, as mentioned in their early comments. And the loan purchase targets are very similar to previous Plans, which is to say they are quite low.

We understand the current environment impacts loan delivery, but the proposed targets in earlier Plans which are very comparable to the ones in the current one, were not developed under such constraints. We also recognize the benefits to the field of program standardization and appreciate the Fannie Mae has been a leader in this with the certification program. However, while we recognize that certification is good, we believe that loan origination is even better, and we see very little in Fannie Mae's Plan that would bring more lenders to the table. Continuing the theme of standardization is good, in kind of an interesting twist, we are concerned that Fannie Mae is proposing to unilaterally review and modify the model ground lease a model declaration. At least that's how it reads in the proposed Plan. the latter document was actually developed in collaboration with Grounded Solutions and Freddie Mac.

We can't really support this if, like you went further factually, the shared equity lending space and goes directly against our proposal, presented last summer, that FHFA bring the two Enterprises together to align their policies and products, hopefully creating a single pipeline for shared equity loans, which we see is the best way forward to increasing liquidity.

To put this into a more corporate regulatory language, Fannie's Duty to Serve the affordable homeownership preservation market we feel requires enacting and scaling standardization of loan products and their supporting documents. The proposal, as it is right now, would undercut, Fannie's ability to meet their obligations. Moving to Freddie Mac, I will say that we were glad to see a much more robust and active agenda for supporting growing a shared equity market.

This agenda recognizes the potential on shared equity. Following from my comments earlier, while we are unsurprisingly and perennially disappointed in the loan purchase targets of both Enterprises, we see Freddie Mac's proposal to provide technical assistance to establish CLTs and grow the amount of shared equity mortgages, as perhaps hyperbolically stated, a potential game changing initiative.

The proposal to collaborate with Community Land Trust and localities is the type of direct engagement that can really move the needle on growing the sector. the proposed engagement across all dimensions of the field, practitioners, localities and lenders has the potential to greatly expand access to both financing and the expertise needed to stand up and support CLTs, which is a daunting effort even in the best of conditions.

One element of our comments from last summer that were not as well addressed by either Enterprise is support for research on shared equity. Understanding the shared equity field is vital to identify an effective and efficient policies and programs to increase liquidity in the market. It is also necessary when developing and evaluating appropriate goals for Duty to Serve.

In order to deepen our collective understanding of the field, we encourage both Enterprises and FHFA to consider supporting the collection and analysis of data on shared equity housing programs. Specifically, we would ask for support and understanding of the impact of current efforts. This includes the Shared Equity Certification Program run by Fannie, exploring the impact of shared equity in the communities where it is active, and supporting ongoing data collection regarding the scale of the field and the nature of the programs it comprises. And that's the end of my comments.

I want to thank FHFA, Fannie and Freddie for all the hard work they put into these Plans. I know that they worked very hard on it, and, we really appreciate their collaboration and partnership. We look forward to providing much more detailed and expansive written comments for your consideration. Thank you.

Toi Roberts
Thank you, Mr. Stromberg. Okay, so our next speaker is Arnold, Mr. Arnold Levine from County Properties.

Mr. Arnold Levine.

Arnold Levine
Okay, here I am. Okay. Can you hear me?

All right, so my name is Arnold Levine from County Properties.US, and thank you for, giving us a few minutes. I am a stockholder for Fannie Mae and Freddie Mac, and I'm also a real estate broker for 40 years, and I have ran a campaign for mayor in San Diego for the city of El Cajon, in 2022, based on homeless issues and housing problems.

With the experience that I have, basically, it's the front lines of knowing what's needed. And the bottom line is, is there's obviously a housing shortage of inventory, and that is creating many multiple problems.

So just to give you an idea, the solution for homeless people, it's an average for every dollar, every dollar we put in, we'll say $3. There was 351 people that, were homeless related problems had died in 2022, the year I was running for mayor. And each year, that will continue to get worse, not better, unless we get a very, targeted solution and work with, with the government is doing at this point is trying to catch up for a problem that should have been done for local city planning.

For example, when it's the best time to plant a shade tree? And that's 20 years ago. In city planning, if this was done properly throughout the country, then there would have been new, home communities being built with inventory, and then the supply and demand would be more in balance instead of being a very short inventory.

So therefore the demand is up, prices are up, rent prices are up, housing prices are up. In, for, participating in my campaign, I learned a lot about what type of housing is being provided for homeless and what type of housing most important is for low income. Because if there's housing for low income and then there's surplus of housing for low income and also, affordable income, then we would have solutions for the homeless problems.

But the homeless problems, it's not just housing. They need wraparound services. So we could build special projects or we could do both. And part of doing both is being able to use capitalism, which is what our democracy is based on, which is being able to support private entities to build these projects, because for new home construction, they build communities with services like schools and shopping centers.

They build the whole area. But we cannot build these properties inside of urban areas, which is high expense and and small room, which, backlogs parking problems and creates collateral damage. The best way to do it is building, like new home builders, to build new tracks, build infrastructure. We need to fast track doing that. And part of the problem is, is Fannie Mae, was in conservatorship, for too many years at this point, and FHFA coordinating with, the GSEs being released to a private entity again will encourage the capitalistic part and success since 1938, when those entities were created and being supported, coordinating with FHFA, to be able to expand even faster, but again, coordinating so the goals could be met.

A lot of these problems and expenses is basically keep patching a dam instead of building a brand new dam, and that's what we need to do. So, with my experience, it's always the same thing. The rents go up because there's a shortage of inventory, and then those people can't afford to pay at that or on, low Social Security incomes, and then they become homeless, and then that why ends up costing the taxpayer a great amount of money.

So I'm going back to supporting as a stockholder, not just for the money sake, but for practicality, that the GSEs should be released by the government. Promises have been made in the past ten years, and to make it a utility would take away from the fast progress we need,

because this is about people that deserve to have a quality of life, where there's affordable housing anywhere from low income to affordable to middle class income. So that is why I ran for mayor. Now I am not mayor, so I'm trying to do this privately and working with developers.

But we need to streamline our process, have government and capitalism, private support working, and Fannie Mae and Freddie Mac is a good solution for that. FHFA is a good role in it, but they have to release them from conservatorship, and to go as a private utility will not allow us to do progressive expansion, including the things that were discussed by the previous speakers, which was building high tech and, and, being able to go green and using technology to expedite the process for developers to have more obtainable projects, which is difficult to obtain, which is difficult to obtain if there's a lot of processes that is hard for developers to be able to get involved with.

So if we could make that user friendly using the technology we have today, we could coordinate and have the housing problem resolved. But we have to build more housing from low income up to average income to luxury and make it priorities for Fannie Mae and Freddie Mac and FHFA and have the government support with from the executive branch all the way down to the county agencies.

Thank you for your time, and I appreciate the good work that you're doing.

Toi Roberts
Thank you, Mr. Levine. Our next speaker is Mr. Josh Silver from the National Community Reinvestment Coalition.

Josh Silver
Good afternoon. The National Community Reinvestment Coalition appreciates the opportunity to comment on Fannie Mae and Freddie Mac's proposed Underserved Market Plans for 2025 to 2027 submitted to fulfill the Duty to Serve requirements. NCRC commends the transparency regarding goals and terms of the overall national numbers in the draft Plans. However, the Plans need considerable development regarding and identifying pressing needs and responding to them equitably across multiple regions in the country.

NCRC is a network of more than 700 community-based organizations dedicated to creating a nation that delivers opportunities for all Americans to build wealth and attain a high quality of life. This testimony focused on the planning aspects and needs analysis, the Housing Preservation and Rural housing sections. I want to, I do want to comment a little bit about rural housing, and you'll see the relationship between rural housing and housing preservation planning. Fannie Mae's rural housing section begins with a description of demographics and housing stock characteristics in distinct regions in rural America, including the Lower Mississippi Delta, Middle Appalachia, persistent poverty areas, and colonial census tracts. This provides some hope that Fannie Mae would then engage in a comprehensive needs analysis across these four regions.

However, Fannie Mae chose not to engage in this type of analysis. A robust needs analysis would include tables that would provide numbers and percentages of homeowners and rental

units that were physically inadequate, numbers and percentages of homeowners and renters experiencing cost burdens and other indicators of the quality and affordability of housing units, including vacancy rates. The analysis would then include measures of how many home purchase loans per capita lenders had issued in each region, and similar measures about secondary purchase activity by Fannie Mae and other purchasers.

The analysis would then identified regions with pressing needs and whether these needs were being met by a sufficient level of lending, or whether areas with great needs were not being served well by the primary and secondary market. Fannie Mae did not conduct this analysis, rendering the draft Plan devoid of information about the equity of the overall purchase goals for each of the regions.

Goals by region, which simulates discussion among stakeholders about how to achieve the goals. The discussion about on the ground partnership building is stunted due to a lack of detailed planning on a regional level. Freddie Mac's goals likewise present overall numbers of purchases of home mortgage loans in rural areas, but not, but do not provide needs analysis for any subregions.

Freddie Mac's national goal numbers are higher than Fannie Mae's in two of the three years, but the reader of the draft Plans lacks sufficient information to conclude that Freddie Mac is proposing a more ambitious number. What is needed is some type of standardization. For example, what is the percentage of purchases of home mortgage loans in rural areas out of all areas for each government sponsored Enterprise, GSE?

If one of them proposed a considerably higher percentage, the public could prod the other GSE to do better. Both Fannie Mae and Freddie Mac estimate goals for purchases of loans, financing multifamily units subsidized by the federal section 8 program, and low-income housing tax credit, whose restrictions regarding maintenance of the units for low income renters are expiring. This is an important part of the planning process to ensure that affordable rental housing stock is not lost.

However, the same falls in the rural housing section replicate themselves in the Rental Housing Preservation section. For example, data on a state or county level regarding renter cost burden, physical adequacy of rental housing, and vacancy rates is lacking. Data standardization on a per capita basis regarding primary multifamily lending activity and GSE purchasing activity of loans financing section 8 and LIHTC units is lacking.

Therefore, housing needs cannot be compared to lending and GSE activity in order to develop equitable targets by geographical area. The absence of an effective, equitable, equitable planning document stymies discussion among stakeholders and partnership building for addressing gaps between needs and private sector financing. Freddie Mac proposes higher targets than Fannie Mae for purchases of loans for LIHTC units. For example, Freddie Mac proposes a target of loans backing 41,500 units in 2027.

The comparable target for Fannie Mae is about 26,400. Both GSEs have similar numbers for goals regarding section 8 units, about 23,000 each year of the Plans. However, a lack of

standardization makes it impossible to know which GSE is truly making greater effort relative to its overall purchasing activity or capacity. Single-family housing preservation activity is similarly not fully developed in the Duty to Serve Plans.

Fannie Mae, for example, proposes to purchase 30 to 39 refinance loans annually that increase energy efficiency and reduce utility costs for water and electricity. Fannie Mae has decreased the goal from 187 loan purchases, explaining that higher interest rates associated with refinances on are impediments during the Plan years. NCRC wonders whether Fannie Mae is consulting with coalitions of nonprofit organizations on a state level to inventory energy efficiency programs and to determine how they can support higher volumes of lending than 30 loans annually.

Likewise, has Fannie Mae consulted with bank trade associations or the Federal Bank agency's CRA staff to identify banks vigorously financing energy efficiency improvements. It would also be beneficial if Fannie Mae explained how it identified regions of the country with pressing needs for energy efficiency. In contrast to Fannie Mae, Freddie Mac does not plan on purchases refinanced, on purchasing refinances, but instead home purchase loans to finance energy efficiency improvements.

Partly as a result, its forecasted loan purchase targets are higher than Fannie Mae's, equaling about 300 loans annually. Yet this too seem small considering the size of the home purchase market and the critical need for climate remediation. Freddie Mac identifies a lack of awareness on the part of home buyers and homeowners about the benefits of energy efficiency improvements.

Part of this is due to a lack of data on how increases in energy efficiency will decrease homeowner costs over the long term. NCRC welcomes Freddie Mac's involvement in developing and disseminating information on energy efficiency upgrades. At the same time, Freddie Mac should increase its partnerships with utility companies, nonprofit organizations, and banks in marketing the benefits of energy efficiency.

Freddie Mac discusses four information sessions for lenders and real estate professionals in its Plan. However, how about a commitment to contacting and collaborating with utilities in each of the 50 states, as well as state bank trade associations and coalitions of nonprofit organizations? This concludes my statement and the National Community Reinvestment Coalition thanks you, thanks you for holding this forum.

Toi Roberts
Thank you, Mr. Silver. All right. Our next speaker is Kelsey Condon of Ceres.

Kelsey Condon
Thank you for the opportunity to provide feedback today. My name is Kelsey Condon. I am the Senior Manager for Banking and Housing Finance Regulation at Ceres, which is a nonprofit advocacy organization with over 30 years of experience working to accelerate the transition to a cleaner, more just, and sustainable world.

Our investor network currently includes over 220 institutional investors that collectively manage over 44 trillion in assets, and our company network includes 50 major corporations representing industries and sectors across the economy with whom we work on an in-depth basis on climate strategy and disclosure, among other issues. My team, the accelerator, engages with federal and state regulators, financial institutions, investors and corporate boards to act on climate as a systemic financial risk to institutions and the communities they serve.

Ceres is also a member of the Underserved Markets Mortgage Markets Coalition, which works to expand mortgage financing to groups traditionally underserved in the market. The proposed DTS Plans offer some encouraging and ambitious objectives, including Fannie Mae offering two cost benefit analyses of key energy efficiency and resiliency upgrades, launching a pilot based on the energy efficiency and resiliency work, and partnering with nonprofits to deliver technical assistance to organizations on how to preserve affordable housing through increased resilience to severe weather events and Freddie Mac expanding the proposed, expanding the purpose and content of DPA1 to include information on government tax credits and other incentives for energy and water efficiency improvements. Yet there are several changes with which the FHFA should require the proposed Plans to more fully incentivize a stronger secondary mortgage market.

Climate risk can result in significant financial losses for both the Enterprises and the communities they serve, jeopardizing affordable housing goals. In 2023 alone, 2.5 million people lost their homes temporarily or permanently due to climate events such as floods, fires, and droughts. Experts estimate that nearly half of all U.S homes will face severe or extreme damage from environmental and climate risk in 2024, and that 7.5 million people will leave areas with current and emerging high exposure to climate risk in the next 30 years.

Climate risk also exacerbates existing financial and environmental inequities that, that underserved communities face due to decades of systemic discrimination and redlining and underinvestment. Vulnerable communities, including LMI communities and communities of color, disproportionately bear the economic burdens of climate impacts on housing. These communities are often situated in areas more susceptible to natural disasters, which further impacts the availability of mortgages and insurance, have fewer resource, resources to invest in climate resilient infrastructure, or to recover from climate induced damages and face higher energy burdens.

These events further damage the affordable housing supply, which is at increased risk from climate events such as sea level rise storms and flooding, leading to slow repairs, a widening racial wealth gap and even the inability to rebuild or build new homes where funding is scarce and rehabilitation and resiliency costs are high. Energy efficiency improvements deliver savings and resiliency to homeowners and residents by decreasing utility payments and total housing costs, as well as physical safety. Utilities are one of the highest monthly home costs, particularly for first time, low-income, and BIPOC households.

These improvements also reduce risk to the Enterprises by lowering delinquency rates and making homeownership more affordable and increasing the proportion of new insured new issuance loans with energy and water efficiency improvements, reducing its interest rate

exposure. We therefore urge the Enterprises to increase their activity F objective two and activity one objective A Energy and Water Efficiency Loan purchase target to 500 by 2025 and increase yearly by 100.

We likewise urge the Enterprises to identify an additional 5 to 10 underserved high energy burden markets and focus on at least five of these for the 2025-27 Plans. To help reach these relatively modest goals, the Enterprises should work with institutions to leverage the Inflation Reduction Act's Greenhouse Gas Reduction Fund incentives, state energy offices that offer rebate programs, and other incentive programs that will encourage more lenders to finance these projects as demand for green bonds and secondary market liquidity increases.

Like energy efficiency improvements, home hardening, and other weather and natural disaster resiliency efforts reduce burdens on homeowners and renters. Natural disaster preparedness and weather and climate resiliency help preserve and support sustainable and resilient residential housing and community development but require sufficient liquid resources. Proactive improvements and financing play a critical role in helping LMI and other vulnerable communities prepare for, adapt to, and withstand natural disaster and weather and climate related risks. Pre disaster evaluation, planning, and investment can help mitigate both future physical impacts of climate events such as reducing flooding and associated financial burdens such as lowering energy and rehabilitation costs.

Both of these benefits support the, the Enterprise's Duty to Serve the affordable housing preservation market and are incorporated to some extent already in their equitable housing finance plans. We therefore urge the Enterprises to incorporate objectives similar to their energy and water efficiency goals for both single and multifamily properties to increase the financing of resiliency improvements, reduce the costs of those improvements to homeowners and renters through new through consumer tools, new programs and loan products, and increase the purchase of mortgage loans that finance those improvements or refinance existing resiliency and improvement, and existing resiliency improvement debt.

We thank the FHFA and Enterprises for their work on the proposed Plans and the opportunity to speak today.

Toi Roberts
Thank you, Ms. Condon, and thank you for your comments on behalf of Ceres. Our next speaker is Mr. Demetrius Roberts from DR Squared Consulting.

Demetrius Roberts
Thank you, Ms. Roberts. Thank you so much. First and foremost, I wanted to express my gratitude to the Federal Housing Financing Administration for the invaluable opportunity to speak at today's public listing session for Duty to Serve. I also accept my heartfelt thanks to Ms. Kristin Axtell, Fannie Mae, and Mr. Michael Morosi-Brown from Freddie Mac for listening to the voices and feedback of the various entities through this forum. I'm truly grateful to have this opportunity to brief you today.

I am representing my community, WestRidge at Westphalia, a current community development, in Upper Marlboro, Maryland. The information shared today is not specific, and any information arising from current cases has been removed to provide generalization of experiences.

Today, I'm here to discuss my positionality of the black homeowner who has been profoundly impacted by the issues of safety and soundness in the mortgage industry. The FHFA guidance, your proposal, and associated rules by the FHFA guide my comments. I sincerely thank Freddie Mac and Fannie Mae for their exceptional efforts in crafting a plan for Duty to Serve. My first priority to address the strengths of the proposals combined. I really appreciate your structure, the aspirations to address safety and soundness of the mortgage industry environment. I also appreciate the investments that you have offered for affordability over the many years to come.

Another significant strength is the incorporation of outreach language, which I believe positively aligns to reduce the equity gap in the mortgage and real estate sectors. However, I find myself asking, where do I, and Brown and Caucasian home homeowners fit within this plan? I have a story. I purchased my home in 2022 as a first-time homebuyer, placing my trust in the builders, developers, and county to ethically construct a new build townhome for which I had termed as my dream home during COVID-19.

As a first-time homebuyer, combat veteran, former foster from Compton, Los Angeles, and a change management practitioner in Prince George's County, Maryland, I went into the transaction thinking I was in the most risk averse situation for the $565,000 investment for which I signed a thirty-year mortgage for. Practicing my own due diligence, including having an inspector review my house and providing 115 pages of discrepancies submitted to the builder with no action to this day, the testimony is not solely about me, it's about a common practice for the community I reside at. At closing, the builder who I submitted my discrepancies to asked which of the 115 pages I wanted fixed. I said them all.

Fast forward to 2024, I've come to realize that systemic inequities and power imbalances have jeopardized the safety and soundness of not only my home, but the 248 homes in my community, all being sold for $400 to $625,000 each. For point of reference, my home is a townhome, and my development was bought for $6 million by the developer. The population within my community includes private and public sector employees, lawyers, doctors, teachers, federal agents, and local police to name a few. We represent all racial backgrounds, and in our community, we bound together with the understanding, how can we, as the homeowners, be so disadvantaged by the developers and builders who are charged to deliver safe and sound homes that comply with local, state and federal guidelines?

Additional concerns are of sustainability beyond a use of 5 to 10 years remain unanswered based on the builder’s employees telling us to our faces the poor quality of materials used to produce our homes. The methodology behind my feedback is based on reviewing your entities’ proposals to the FHFA from my firsthand experience of being disadvantaged as a first time home buyer. The transaction of buying a home is often largest investment in one's life I had my finances excavated through the loan process to make sure I qualified. It is disheartening to know that someone who already lacks access to equitable financing and opportunities, the very people designated as stakeholders to develop plans for the Duty to Serve are perpetuating a housing

bubble similar to the 2008 housing crisis based on bad actors baked into the system, placing the safety and soundness of the mortgage industry at risk.

248 homeowners and counting have been disadvantaged by the same story for which I provided my firsthand experience for you today. I'm returning, consulted and requested from my community, how can they be happy with the purchase of their home and community, knowing that housing codes and safety requirements have been skipped? The question of how I'm here to speak with you today is, is as a result of me recognizing that the system in its current state has no checks and balances, and for a nationwide change to occur, I needed to go to the OCC, FHFA, HUD, VA, OIG, FTC, CFPB, State Prosecutors, the Maryland Attorney General, Law Enforcement, Petition sites, and the list goes on.

Fraud boils my veins. I'm learning the system has no incentives for social responsibility or quality assurance from the backers of mortgages outside of the federal housing guidelines, for which the basis of my complaints have been made. Criminal conduct found is a concern for me and the very people whom you've named in your brief as stakeholders to consult the development of future safety and soundness initiatives.

I have learned the leverage of the builders to manipulate the legal rights of consumers has been an abusive territory, where, even in trying to redress wrongs, the construction of our housing industry has created an ecosystem where all the major, major players are intertwined to check off on paper that they are doing the right thing, but in plain view, this is not the case.

Today, my community, through pushing my local government to require the developer and build it to do what they said in a detailed site plan, were markedly surprised when we got grass. Imagine that, grass. I'm not here to complain. I want to make sure you are aware that this is occurring in my county, which is predominantly ran by black leaders, and they are allowing developers who do not live in this county to come in, to come in purchase land and sell overpriced homes.

Then what is what is occurring across America? So what is the result? The result is a long, protracted legal battle, me talking to you today, many families texting me at night because they cannot sleep due to inaction from the named stakeholders, or consulting in your Duty to Serve Plans. This is the situation as of 17th July in the DC, Maryland, VA region, commonly known as the DMV.

So the question becomes if this is happening right next to the capital, what is happening across the nation? That is where my comments come in for consideration for Duty to Serve proposals. Since my condition is an example, I would imagine that is extreme. But what makes this worse is the locality of oversight agencies. The lack of local government enforcement, and an ecosystem built to defraud and take money financed by your agencies.

A recent report by the American Builders Association stated regulatory compliance is driving up costs when truly the regulatory compliance is coming as a result of the many stories the federal government are receiving, just as I'm sharing today. My recommendations include inclusion for

black and brown communities. Your Plan needs to explicitly address how black and brown communities will be included in Duty to Serve proposals.

The FHFA has acknowledged the impact of inequities on underrepresented populations, including issues of devaluation or overvaluation based on race. This acknowledgment must translate into inclusive Plans. Address the system, systemic issues in the mortgage industry. Given the systemic nature of fraud and bias as occurred, I urge FHFA and regulators to implement stringent controls and oversight.

Oversight. The introduction of CDFIs is a concern of mine, since the current system has allowed stories such as what I have shared, just told in my community, to permeate a system that is proclaimed as sound. Closing the equity gap, leverage your influence to combat the collusion and negligence that undermined homeowners safety and soundness, work with local governments to enforce accountability and prioritize well-being of homeowners over profits.

This speech is not about my personal experience. It represents the voices of 248 homeowners in my community who have faced similar challenges. If safety and soundness violations continue unchecked, our collective losses could amount to billions. It is imperative that we address these issues head on. In closing, I ask each of you to reflect on your role and responsibility in fostering a fair and equitable housing market.

Together, let's work towards a future where every homeowner feels secured, valued and respected. With that, I want to thank the Federal Housing Financing Administration, Freddie Mac and Fannie Mae for the opportunity to discuss with you today my experiences as a minority homeowner, combat veteran, and scholar of the University of Southern California. Thank you.

Toi Roberts
Thank you, Mr. Roberts. And that now concludes us hearing from all of our stakeholder guest speakers. I want to thank you all for sharing your feedback with us today. Now, to give closing remarks, I'd like to hand it over to Ms. Marcea Barringer.

Marcea Barringer
Hello again, everyone. I just want to echo Toi and taking a minute to thank all of our presenters today for sharing your comments and for the audience for attending today's session. Please note once again that today's Duty to Serve listening session is open to the public for information purposes only, and this session is not intended for media.

We really appreciate the diversity of views, expressed today on the affordable housing preservation market, and we will take all of the remarks that we heard, as well as the comments posted on FHFA.gov into consideration. Please think about submitting written comments on FHFA.gov by the August 12th deadline. Also, you're welcome to check back in the coming days to find videos and transcripts, transcripts from this listening session, and the two other listening sessions that we have held this week.

Thanks to my colleagues at FHFA, the entire Duty to Serve team, and especially to Toi Roberts, Jeannie Shattuck-Lemons, Natalie Krings, and Phoung Short for their help today and making

sure that our listening session ran without a hitch. We look forward to continued collaboration with all of you who tuned in today and all of you who commented. Thank you. Toi?

Toi Roberts
Thank you Marcea. That now concludes today's session.

Thanks again to all of you, and all of our guests, to all of our guest speakers, and to all of you who joined us to listen in today. Comments will be posted on our website, just like Marcea said. And you still have the opportunity to submit written comments to our RFI through August 12th. Thank you.