October 25, 2021

Federal Housing Finance Agency
Office of the Director
400 7th Street SW, 10th Floor
Washington, D.C. 20219

Dear Acting Director Thompson,

Thank you for the opportunity to provide comment on the Federal Housing Finance Agency's (FHFA) Equitable Housing Finance Plans. We applaud FHFA's focus on ensuring that Fannie Mae and Freddie Mac (the Enterprises) work to advance equity in housing finance. As an organization working to raise capital for equitable housing in the communities we serve, Cinnaire believes that the Enterprises can and must play a meaningful role in creating equitable and sustainable housing opportunities for all, including communities of color that have long been denied access to safe, high quality affordable housing and homeownership opportunities. I write to share Cinnaire's recommendations for steps the Enterprises can address barriers to equitable housing.

Cinnaire is a certified, non-profit Community Development Financial Institution (CDFI) and tax credit syndicator that raises and deploys capital for impactful affordable housing and community development efforts. Cinnaire operates in nine states in the Midwest and Mid-Atlantic regions, with a focus on rural and urban communities that are typically not well-served by mainstream financial institutions. To date, we have invested more than $4.7 billion through a combination of tax credit equity and community development loans. By working with mission-driven partners throughout our footprint, Cinnaire works to transform struggling neighborhoods into thriving communities through financial investments and loans, innovative partnerships, and development services.

In addition to our work raising capital for the development and preservation of quality multifamily rental housing, Cinnaire is also working to develop opportunities for homeownership in the communities we serve, especially our Priority Cities of Detroit, Michigan and Wilmington, Delaware. These communities have been harmed by systemic barriers to equal housing opportunities, including wealth-building and community stability benefits that come with homeownership.

The Enterprises are critical partners to mission-driven CDFIs like Cinnaire that are working to finance affordable housing development. As you know, CDFIs share a common goal of expanding economic opportunity in low-income communities by providing access to financial products and services for residents, nonprofits, and businesses. Across the country, there are approximately 1,100 certified CDFIs that make up a $185 billion industry, located in all 50 states. CDFIs cultivate deep relationships where they invest and build partnerships. These local relationships, including partnerships with local governments and foundations, help drive investment into underserved communities and address long-standing inequities.

Below are our responses to relevant questions posed by the RFI:

7. How can the Enterprises and FHFA ensure that actions taken under the plans provide sustainable housing opportunities and are consistent with safety and soundness?
As an organization working to provide sustainable housing opportunities in communities of color, we wanted to highlight three particular actions that the Enterprises could take to play a direct, meaningful role in providing sustainable housing opportunities that are consistent with safety and soundness.

Increase Affordable Housing Finance Availability in Underserved Communities by Leveraging CDFIs and Providing Equity Equivalent (EQ2) Investments
CDFIs represent a clear avenue for the Enterprises to drive investment in communities of color while meeting the Enterprises' safety and soundness requirements. By their nature, CDFIs work to expand opportunity in low-income communities by providing access to financial products and services for underserved populations, including communities of color. CDFI customers are 84 percent low-income, 60 percent people of color, 50 percent women and 26 percent rural.

CDFIs are experienced and prudent lenders serving these communities. With net charge off rates of less than one percent, CDFIs have demonstrated their ability to bring capital to low-wealth communities in a sustainable manner. During the 2008 housing crisis, when mainstream finance retracted lending, CDFIs kept capital flowing to businesses and communities and only increased charge-off rates to 5.9%. During the COVID pandemic, CDFIs have proven themselves resilient and low-risk despite a focus on some of the communities hardest hit by the health and economic fallout of the pandemic.

In the housing finance landscape, CDFIs have been important players by providing solutions to address the affordable housing crisis by offering credit, capital, and financial services to promote sustainable homeownership; financing affordable multifamily and rental housing; and pioneering innovation in financing such markets as shared-equity housing and manufactured housing. In Fiscal Year 2019, certified CDFIs made more than 600,000 housing loans totaling more than $56 billion.

During the pandemic, CDFIs also demonstrated their ability to serve areas that are not well-served by the mainstream financial sector. By establishing the Rapid Response Program at the Treasury Department in response to the pandemic, Congress recognized the need to invest in the infrastructure provided to underserved communities by CDFIs and their unique ability to deploy capital where it is needed most, including communities of color.

The Enterprises can and should provide meaningful support for CDFIs working to bring capital for affordable housing in communities of color through Equity Equivalent (EQ2) investments. EQ2 investments, which have attributes that are characteristic of both debt and equity, strengthen CDFIs' balance sheets and ability to leverage private capital in ways that meet underserved communities' needs. These investments represent meaningful actions the Enterprises can take to boost CDFIs' ability to provide equitable housing opportunities.

Encourage the Enterprises to Purchase Multifamily and Single-Family Mortgages from CDFIs
As you know, the Enterprises are critical to providing liquidity for the multifamily market, including permanent financing for affordable housing development. Cinnaire is one of several CDFIs that operates as a Designated Fannie Mae Affordable Lender, helping the Enterprise finance quality, sustainable, and affordable rental housing in a manner consistent with safety and soundness.

CDFIs are typically smaller lenders that provide financing for hard-to-reach markets and high-impact developments. At times, these deals can be less of a priority due to their smaller size and market complexity. To ensure that the Enterprises prioritize high-impact developments, we recommend that the Enterprises' Equitable Housing Goals provide incentives for the Enterprises to purchase multifamily mortgages from CDFIs and similarly mission-based affordable housing lenders. Incentivizing the Enterprises to focus on mortgages originated by CDFIs will help them prioritize affordable housing developments with high impact that serve harder-to-reach populations, including communities of color.

In addition, Cinnaire has partnered with organizations in Detroit, Michigan and Wilmington, Delaware to help meet the need for sustainable homeownership opportunities for low-income families in those markets. For example, in Detroit, our "Advancing Communities through the Power of a Permanent Address" pilot program seeks to provide affordable homeownership opportunities for current renters in scattered site properties developed through the LIHTC program. This effort will provide low-income families with the largest wealth-building tool in the country – homeownership – in a sustainable manner that helps the borrower succeed as a homeowner. Because of strict underwriting guidelines, most low-income buyers do not quality for conventional loans. For the success of this initiative and

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other innovative efforts to create sustainable homeownership opportunities for communities of color, it is critical for the Enterprises to purchase mortgages originated by CDFIs.

Invest in the Low-Income Housing Tax Credit to Increase Production and Preservation of Affordable Rental Housing

Creating new affordable rental opportunities must be a critical component of a holistic approach for sustainable housing for communities of color. Across the country, a majority of all renter households pay more than half of their income on rent, leaving too little for other essential needs. This rent burden falls disproportionately on communities of color. According to the Harvard University Joint Center on Housing Studies (JCHS), over half of Black and Hispanic renter households were cost-burdened going into the pandemic, compared to 42 percent of Asian and white households.

By far, the largest source of capital for addressing this unmet demand for affordable housing is the Low-Income Housing Tax Credit (LIHTC). LIHTC is our nation's most successful effort at creating or preserving quality, affordable housing. Since its inception, it is responsible for the creation or preservation of more than 3.5 million homes across the country.

Historically, the Enterprises have played a significant role in the Low-Income Housing Tax Credit (LIHTC) program. We appreciated FHFA's recent action to raise the limits on the Enterprises' purchases of LIHTCs. From our experience as a nonprofit tax credit syndicator focusing on underserved communities, we believe that increasing these limits further will help address the gap in affordable housing in communities of color, as well as underserved rural areas.

In addition, we encourage the Enterprises to examine their practices in the LIHTC program through the lens of racial equity. This could include taking steps to limit the ability of private investors to purchase LIHTC partnership interests with a goal of extracting value from nonprofit affordable housing owners, which poses challenges for the preservation of affordable housing developed under the LIHTC program. We also encourage the Enterprises to review their practices for any unintentional effects that may limit the ability of developers of color to meaningfully participate in the program, such as guarantee and personal wealth requirements.

12. What communities and stakeholders should the Enterprises consult with in developing their plans?

As noted above, CDFIs are well-positioned to help the Enterprises meet the objectives set forth by the FHFA. As part of the process of plan development, we encourage FHFA and the Enterprises to consult with CDFIs to solicit input on the best ways to enhance collaborative

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opportunities to advance equitable housing. In particular, we encourage FHFA and the Enterprises to consult with the Opportunity Finance Network (OFN), a national trade association of CDFIs, as well as other associations representing mission-driven organizations active in the affordable housing finance landscape, such as the Homeownership Alliance.

Thank you again for your leadership in working to encourage our housing finance system to reverse the legacy of housing policies and industry practices such as redlining that drove segregation, disinvestment, and unequal housing for communities of color. We believe that now is the time to take an intentional approach to creating sustainable housing opportunities for all.

Respectfully submitted,

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Cinnaire