



Community Preservation Corporation

October 25, 2021

DELIVERED VIA POSTING TO FHFA WEBSITE COMMENTS SECTION

Sandra L. Thompson
Acting Director
Federal Housing Finance Agency
Eighth Floor, 400 Seventh Street, S.W.
Washington, D.C. 20219

Re: Request for Input: Enterprise Equitable Housing Finance Plans

Dear Director Thompson,

The Community Preservation Corporation (CPC) is a nonprofit affordable multifamily housing lender and investor, certified Community Development Financial Institution (CDFI) and a longstanding qualified Seller/Servicer for both Freddie Mac and Fannie Mae (the Enterprises). We applaud the Federal Housing Finance Agency for its efforts to advance equity in housing finance and are pleased to have the opportunity to comment on the Enterprise Equitable Housing Finance Plans.

Since our inception, CPC has deployed nearly \$12 billion in private and public capital, financed the preservation and construction of nearly 220,000 units of residential housing, supported numerous downtown revitalizations and improved the quality and energy efficiency of the multifamily stock across New York State and beyond. In addition to our general mission that focuses broadly on affordable housing, in 2020, CPC created a new initiative, Acquiring Capital and Capacity for Economic Stability and Sustainability (ACCESS), to address racial inequity in the development industry. ACCESS is a \$20 million CPC-funded program to further our deep commitment to providing capital to underserved communities, with the explicit goal of empowering BIPOC entrepreneurs. We are doing this by providing funding, education, and other resources to build BIPOC developers' capacity to compete in the real estate industry, while targeting projects that bring high quality housing to communities of color.

It is through this lens that CPC offers the following recommendations for integration into the Enterprises' Equitable Housing Finance Plans:

Recommendation 1: Create additional objective to increase the number of emerging BIPOC sponsors, especially in development and ownership of multifamily buildings.

In recognition of the historical barriers to entry in the real estate market and in recognition of the generational wealth that often enables white entrepreneurs to enter into this market more easily, the Enterprises should create an additional objective focused on increasing the

number of emerging BIPOC project sponsors in development and ownership of multifamily buildings. CPC defines “BIPOC sponsors” as an emerging BIPOC owner/investor of real estate investment property(ies) meeting the following minimum criteria, but not being so large as to have ready access to conventional capital and other opportunities: (i) has a minimum of three (3) years of experience in ownership, development or management; (ii) maintains existing and/or projected cash flow sufficient for operations/property management; (iii) has a real estate owned investment portfolio of no less than 20 units located within urban, rural and underserved communities throughout the nation.

In order to accomplish the above objective to their Equitable Housing Plans, the Enterprises should consider the following activities:

- 1.1 *To address the small percentage of multifamily housing loans that go to BIPOC borrowers, the Enterprises shall require an increased percentage of all multifamily housing loans to go to BIPOC sponsors across the board, or BIPOC-owned corporations, over the course of 15 years. This can be done incrementally, increasing several percentage points a year over the term.*
- 1.2 *Identify and remove barriers for emerging BIPOC sponsors. The Enterprises should convene emerging BIPOC sponsors to identify and understand major barriers to entry and growth into the multifamily housing market. CPC can serve as a convener, especially via our ACCESS program.*

At the same time, there are certain barriers to entry that are already apparent. The Enterprises should address those barriers, including:

- Instead of requiring a net worth of at least the proposed loan amount and requiring liquidity equal to at least 9 months of the proposed principal and interest payments, the Enterprises should consider relaxing these rules by 50% for emerging BIPOC sponsors
 - We recommend the Enterprises provide a pricing break of between 12.5 basis points to 25 basis points for emerging BIPOC sponsors
 - We encourage the Enterprises to explore using their US government backstop to provide recourse guarantees alongside BIPOC sponsors when the latter seek construction financing for multifamily housing projects from banks and other financial institutions
- 1.3 *Establish mentorship or technical assistance resources to offer to emerging BIPOC sponsors. Collect racial and other demographic data in applications, noting to applicants that additional resources may be available to BIPOC sponsors.*
 - 1.4 *Conduct regular outreach to emerging and novice BIPOC sponsors to identify and address barriers to entry and ensure that BIPOC sponsors are getting the assistance they need.*

Recommendation 2: Codify Tenant Protections

In order to address the objective of “reducing racial or ethnic disparities in tenant screening, repayment options, and evictions,” the FHFA should codify standard national tenant protections, which would apply to all financed housing units. Basic tenant protections such

as requiring a 30-day written notice of rent increases, a five-day grace period for rent payments and the right to cure defaults on rent payments would reduce the number of unnecessary tenancy actions and evictions due to a minor late payment, receiving improper notice or confusion about rent increases. Recently federal agencies have advanced similar tenant protections. On September 13, 2021 Freddie Mac [announced](#) a set of required tenant protections for residents in manufactured housing¹; in addition, on October 6, 2021 the U.S. Department of Housing and Urban Development (HUD) announced future [tenant protections](#) regarding eviction notices². The Enterprises should take this further and codify a set of minimum required tenant protection for all types of housing that includes an eviction and rental assistance notice, renewable lease terms, rent payment grace periods, right to sell, right to sublease, and planned sale notices.

Recommendation 3: The primary focus of the FHFA should be on implementation, as research has been completed and data can be used in real time to measure progress.

One of the optional objectives reads, “[c]onducting, and making available publicly, research and data on advancing equity and sustainable housing opportunities.” There is ample completed, published research that lays out the needs of BIPOC and underserved populations; Fannie Mae and Freddie Mac’s time and funding is much better spent on implementing programs to address those needs rather than repeating unnecessary work and delaying real change. Now is the time to implement programmatic and policy changes. Data can and should continue to be collected in real time to measure progress and the FHFA can track and adjust plans as needed. Any data that the Enterprises are tracking should also be made publicly available during implementation.

Given the housing market’s historical disenfranchisement of the BIPOC community, CPC is committed to continue to push for equity in housing through all available avenues – both through our own investments with ACCESS and with our government, nonprofit, and private sector partners.

Thank you for your review and consideration. We would welcome the opportunity to provide further information and assistance if needed. Please do not hesitate to contact me with questions.

Sincerely,



Rafael E. Cestero
President and CEO
The Community Preservation Corporation
rcestero@communityp.com

¹ Freddie Mac Multifamily Requires Tenant Protections on All Future Manufactured Housing Community Transactions. September 13, 2021. <https://www.globenewswire.com/news-release/2021/09/13/2295915/0/en/Freddie-Mac-Multifamily-Requires-Tenant-Protections-on-All-Future-Manufactured-Housing-Community-Transactions.html>

² HUD to Issue Rule Protecting Tenants Facing Evictions for Non-Payment of Rent in HUD-Assisted Properties. October 6, 2021. https://www.hud.gov/press/press_releases_media_advisories/HUD_No_21_167