

October 27, 2017

Federal Housing Finance Agency
Office of Budget and Financial Management
400 7th St., SW
Washington, D.C. 20219

Re: FHFA Strategic Plan: Fiscal Years 2018-2022

Opportunity Finance Network (OFN) appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA) Strategic Plan: Fiscal Years 2018-2022. OFN is a national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities nationwide. OFN members are performance-oriented, responsible investors that finance community businesses, spark job growth in the areas that need it most, and deliver both sound financial returns and real changes for people and communities.

Our network has originated more than \$54.9 billion in financing in urban, rural, and Native communities through 2016. With cumulative net charge-off rates on par or better than traditional banks - less than 1% - CDFIs have demonstrated their ability to lend prudently and productively in unconventional markets often overlooked by conventional financial institutions. CDFIs in OFN's network have cumulatively developed or rehabilitated more than 1.93 million housing units through 2016.

CDFIs and Housing Finance

CDFIs are important players in the national housing finance landscape and are providing innovative solutions to address the affordable housing crisis in our communities. CDFIs are responsible lenders who offer credit, capital, and financial services to promote sustainable homeownership; counter predatory products and services; develop affordable multifamily and rental housing; and pioneer innovation in financing such markets as shared-equity housing and manufactured housing.

CDFIs institutions lend successfully every day to borrowers perceived as high-risk. They do so by offering innovative products and services, and by coupling their investments with technical assistance that helps borrowers understand their transactions and be better prepared for their obligations. However, many CDFIs still lack access to the capital markets supported by the housing finance system. In part because of this lack of access, CDFI housing lenders are experiencing liquidity challenges that inclusion in more mainstream sources of housing finance could help solve.

The government sponsored enterprises (GSEs) have the potential to catalyze affordable housing development and address the needs of low-income communities



by providing CDFIs with liquidity for their lending activities, as well as supporting training and technical assistance needed to build the capacity of lenders working in difficult-to-serve markets. Strong partnerships between CDFIs and FHFA, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Bank System, can further stimulate the development and preservation of affordable housing.

OFN would like to offer input on the FHFA's Strategic Plan: Fiscal Years 2018-2022:

■ Strategic Goal 2: Ensure Liquidity, Stability, and Access in Housing Finance

OFN agrees with the FHFA that having a liquid housing finance market requires active participation by a wide range of lenders, including small lenders, lenders serving rural areas, and state and local Housing Finance Agencies. CDFIs often work in areas of deep and persistent poverty, where capital is scarce and capacity is limited. CDFIs know how to lend responsibly and successfully to borrowers in these markets by providing localized solutions to specific market challenges and tailoring products and services to meet community needs. They are already working to provide access to quality affordable housing in urban, rural, and Native communities. Exploring new ways to increase liquidity to CDFIs can help the FHFA achieve its Performance Goal 2.3: Expand Access to Housing Finance for Qualified Financial Institutions of All Sizes, in All Geographic Locations and for Qualified Borrowers.

■ Non-Performing Loan Sales

OFN strongly supports the FHFA's plans to work with Fannie Mae and Freddie Mac (together, the Enterprises) to continue their non-performing loan (NPL) sales of severely-aged delinquent loans, including through geographically targeted pools that are designed to enhance participation by non-profit entities. OFN member New Jersey Community Capital has successfully purchased loans through Fannie Mae's Community Impact Pools and Freddie Mac's Extended Timeline Pool Offerings, and there is potential to expand these NPL sales to other CDFIs. CDFIs can provide the loan modifications needed to ensure low- and moderate-income homeowners have a chance to restructure their mortgage and keep their homes. CDFIs also provide technical assistance to borrowers, including financial and homeownership counseling.

■ CDFI Membership in the Federal Home Loan Bank System

OFN is pleased that the Strategic Plan outlines as a goal "promoting policies and practices at the regulated entities to provide fair access to finance and financial services for all eligible financial institutions and qualified borrowers."

There are currently 45 non-regulated CDFI loan fund members of the Federal Home Loan Bank System, each FHLBank having at least one CDFI loan fund in their membership. Despite this success in membership, not all CDFIs have been



successful in borrowing from their FHLB and accessing advances due to challenges related to perception of risk associated with CDFIs unregulated status, and collateral valuation of CDFI loans. OFN encourages the FHFA to use its regulatory authority to provide more guidance to FHLBanks in their efforts to work with CDFIs. OFN also urges the FHFA to conduct research to help understand how CDFIs are currently working with their FHLBanks, identify challenges, facilitate cross-bank information sharing, and elevate best practices.

■ Reaching Underserved Communities and Markets

The Strategic Plan states that the FHFA will promote and ensure diversity and inclusion of minorities and women in the business and activities of the Agency and the regulated entities. The plan also indicates the FHFA will work with the Enterprises to address barriers for small lenders, lenders serving rural areas, and state and local Housing Finance Agencies. As the FHFA works to achieve these goals, OFN encourages the FHFA to engage and partner with CDFIs due to their first hand expertise in serving underserved markets.

Conclusion

CDFIs continue to play a critical role in the nation's housing finance system, and have proven to be prudent, responsible lenders even during the recent housing and economic crisis. The housing finance system should support the work of CDFIs, and the FHFA should continue to work with CDFIs to deliver solutions to some of the most difficult housing challenges facing distressed communities.

We appreciate your consideration of these comments and look forward to continuing to work with you. Please do not hesitate to contact me if you have questions or concerns about these recommendations via email: dwilliams@ofn.org or phone: 215.320.4318.

Thank you,

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cc: Liz Lopez, Executive Vice President, Public Policy