



NATIONAL  
COMMUNITY LAND TRUST  
NETWORK

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Federal Housing Finance Agency  
Division of Housing Mission and Goals  
400 7th Street, S.W.,  
Washington, DC 20024

Re: 2015-2017 Affordable Housing Goals; RIN 2590-AA65

To FHFA's leadership and staff,

The National Community Land Trust Network is a national nonprofit membership organization of 145 nonprofits and government programs that provide affordable homeownership opportunities to lower income households through community land trusts and other permanently affordable homeownership programs (collectively referred to as "PAH programs" hereinafter). The Affordable Housing Goals for the Enterprises are vital for our members to effectively enable lower income households to achieve and sustain homeownership.

PAH programs—sometimes referred to as "shared equity homeownership"—are homeownership programs that provide access to affordable and sustainable homeownership opportunities for low- and moderate-income households and concurrently ensure that the affordability of these homes is preserved resale after resale to serve future generations of low- and moderate-income households. PAH programs include community land trusts (CLTs), the vast majority of inclusionary housing programs, and other programs that use deed restrictions or shared appreciation second loans to create homes with lasting affordability. These programs exist in various nonprofits (e.g. CDCs, CLTs, Habitat for Humanity affiliates, CDFIs) as well as local governments.

**Multi-family Goals & Manufactured Housing**

Resident-owned communities (ROCs), cooperative or condo associations composed of the homeowners living in a manufactured home community (like those supported by ROC-USA), are an effective and important affordable housing model, which is similar to models used by PAH programs. ROCs ensure that lower income residents are able to collectively own and lease land at affordable prices to ensure that ownership of manufactured homes remains affordable over time.

We support the recommendations of Corporation for Enterprise Development (CFED), which is to encourage FHFA to reconsider its decision to continue to fully exclude blanket loans backed by

manufactured home parks from counting toward meeting the Enterprises' multifamily goals. FHFA should allow certain blanket loans on manufactured home parks to count, when the property owner is a cooperative association of park residents or an entity with an affordable housing mission. The manufactured housing market has a critical need for greater secondary market investment, and lack of liquidity has constrained low- and moderate-income households' access to affordable manufactured housing. For that reason, it is important for FHFA to support this segment of the market through the multifamily Enterprise Housing Goals.

We understand FHFA's need to provide straightforward guidance to the Enterprises regarding which multifamily loans may be considered affordable, but we advise FHFA to adopt a more nuanced rule with regard to manufactured home parks. Owners of manufactured homes sited in investor-owned communities are at perpetual risk of housing cost spikes, as community owners can increase lot rents frequently and steeply. To strike the appropriate balance between supporting the manufactured housing market's need for greater secondary market access and mitigating community residents' risk of rapid and at times abusive housing cost increases, we support CFED's recommendation that FHFA allow Enterprise purchases of blanket loans on manufactured home parks to count toward multifamily housing goals only if it meets one of the following conditions:

- The park is currently owned or being purchased by a cooperative association of resident homeowners;
- The park is currently owned or being purchased by an organization (generally but not exclusively nonprofit) with a declared mission to expand affordable housing; or
- The park is currently owned or being purchased by a public or quasi-public agency such as a state housing finance agency or municipal housing authority.

### **Single-family Goals**

PAH programs make homeownership very affordable for their low- and moderate-income buyers, provide ongoing services to homeowners, and ensure that properties remain affordable for buyer after buyer. Empirical research reflects that PAH programs are providing access to homeownership for lower income households, the mortgage loans obtained by buyers of PAH programs perform very well, and the homes remain affordable to the same income levels over resales. A recent evaluation (Social Impact Report by Cornerstone Partnership, forthcoming) of 58 PAH programs found that:

- The average household income served was 65% of the area median income.
- On average, for-sale homes were initially priced to be affordable to households earning 57% of the area median income; when these homes were resold they were affordable to households earning 54% of the area median income.
- Furthermore, only .22% of homeowners were in foreclosure at the end of 2013 relative to 2.65% of owners in the conventional market.

Other studies have documented even stronger loan performance during peak years of the foreclosure crisis (Thaden, 2010; 2011). Additionally, FHA recently conducted a performance evaluation of Fannie Mae's portfolio of these loans and reported very positive results (personal communication with Mary Jo Sullivan; September 17<sup>th</sup>, 2014).

Despite the impressive performance of PAH programs, a large segment of prospective lower income buyers in PAH programs remain unable to access mortgage financing. In fact, buyers in PAH programs only have access to the secondary market solely through Fannie Mae in the Single-Family Selling Guide (see *B5-5.1: Community Secods and Community Land Trusts* and *B5-5.3 Loans With Resale Restrictions*). Ultimately, lenders are much more likely to invest in the tools and loan programs supported by the GSEs, and accept the lower returns of smaller and more time intensive loans, if the GSEs create incentives driven by the Affordable Housing Goals.

Therefore, we recommend that FHFA adopts more robust single-family Housing Goals or better incentivizes the Enterprises to proactively enable access to financing for a greater number of lower income buyers, especially those in PAH programs. We understand that FHFA forecasts a declining share of low-income mortgages financed by the primary market in future years; however, we disagree with that assumption based on our knowledge of the underserved, lower income population that our members serve who could and would become successful homeowners with appropriate support from the lending industry. We believe that the GSEs could be better incentivized to make changes that would increase access to mortgage financing for buyers in PAH programs. Some of the recommendations we would like the GSEs to consider include:

- Incorporating PAH programs into the services and products offered by Freddie Mac.
- Incorporating origination of home purchase loans to buyers in PAH programs into automated underwriting systems while retaining the option to downgrade to manual underwriting when deals are complex.
- Responsibly relaxing underwriting standards, especially for low- and moderate-income buyers in PAH programs.
- Increasing the service premium release for purchase and refinance loans made to borrowers in PAH programs.

We thank FHFA for the opportunity to comment on the proposed 2015-2017 Housing Goals for the Enterprises. We look forward to working with GSEs to help them accomplish the Affordable Housing Goals and ensure equitable access to mortgage financing for lower income households who are able to afford and succeed at homeownership through PAH programs.

Additionally, we strongly support FHFA in advancing a duty to serve rule. We plan to comment on the duty to serve rule once it is proposed to ensure that affordable housing preservation goals adequately address the preservation of affordable owner-occupied homes for low- and moderate-income households.

Thank you for your consideration of our requests. Please reach out to Emily Thaden, Research & Policy Manager, National Community Land Trust Network, with any questions or information requests at [Emily@cltnetwork.org](mailto:Emily@cltnetwork.org) or 503-493-1000.

Sincerely,



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Melora Hiller, Executive Director