



DUTY TO SERVE

NOTICE OF PROPOSED RULEMAKING

DECEMBER 22, 2015

AGENDA

Overview of the Proposed Rule

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Chris Tawa, Manager

Matt Douglas, Senior Policy Analyst

Questions and Answers

Closing

This presentation is a summary of the 2015 proposed Duty to Serve rule.
For detailed information on the proposed rule, refer to the link on slide 21.

WHAT IS THE DUTY TO SERVE?

The Housing and Economic Recovery Act of 2008 established for Fannie Mae and Freddie Mac a duty to serve very low-, low-, and moderate-income families in three specified underserved markets:

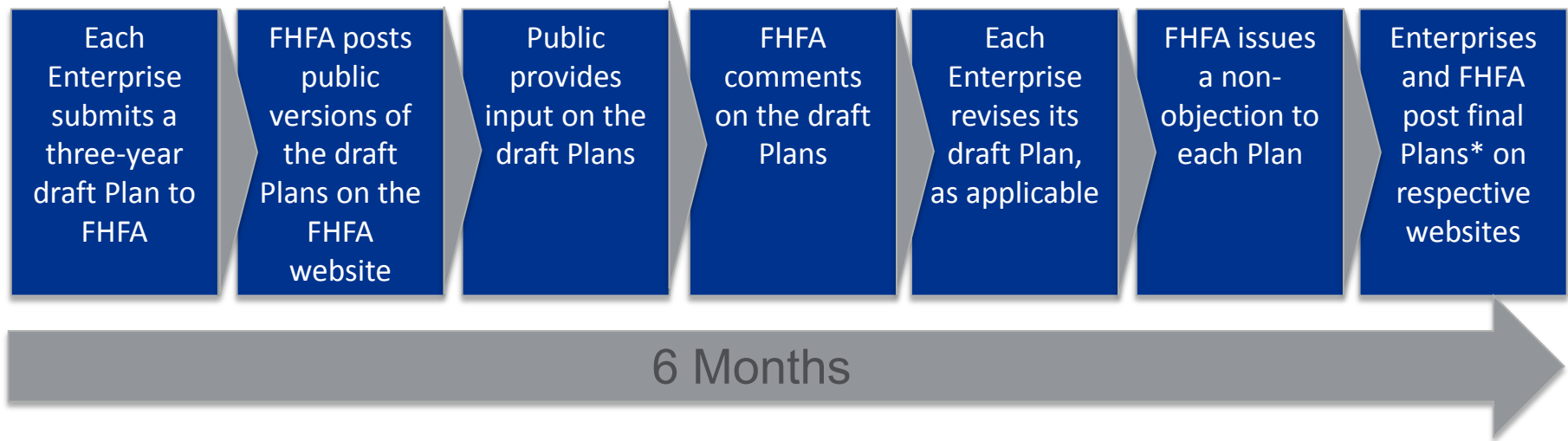
Manufactured
Housing

Affordable Housing
Preservation

Rural Housing

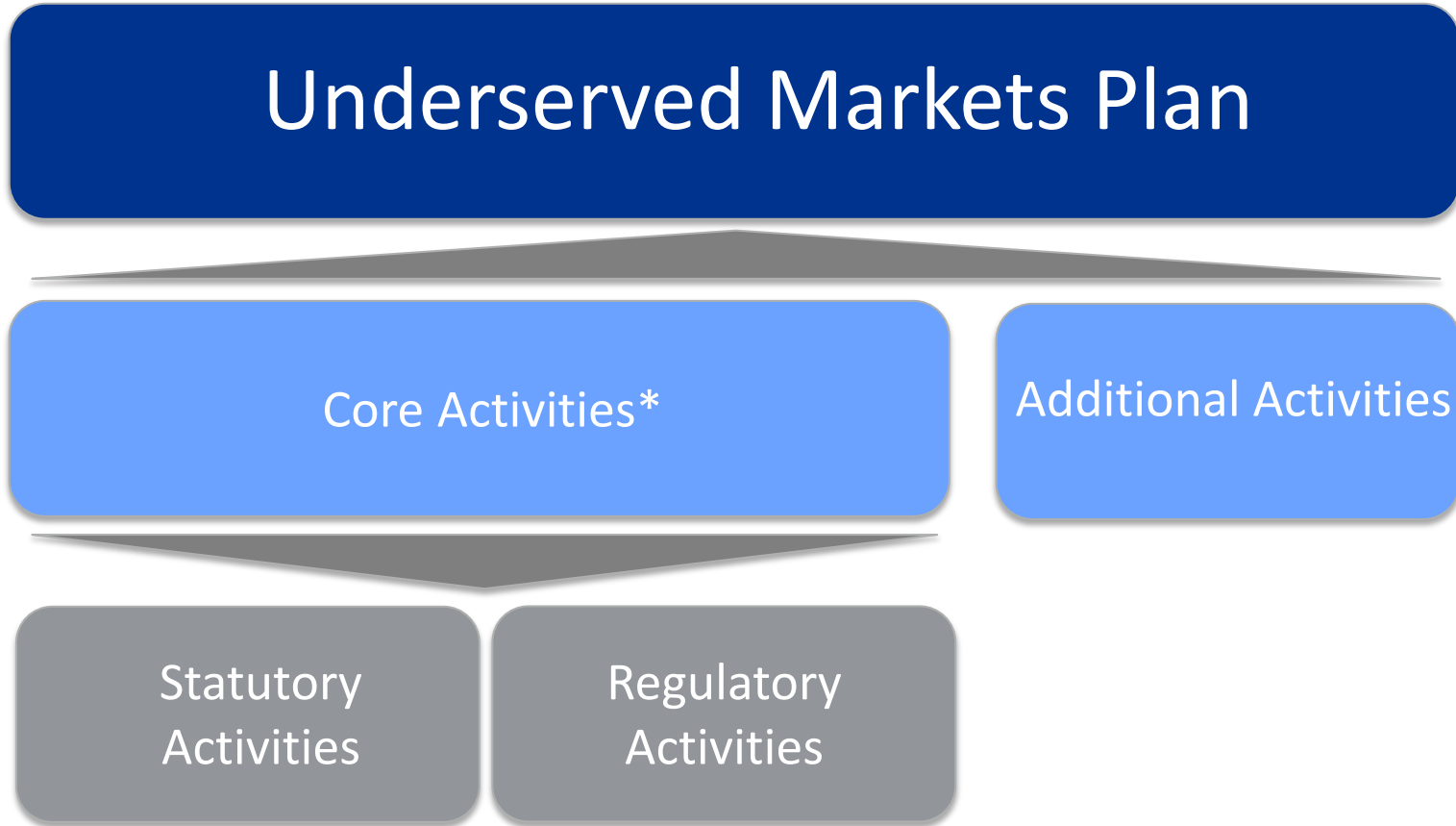
Each year, FHFA is required to evaluate and rate each Enterprise's performance in each underserved market and report the results to Congress.

UNDERSERVED MARKETS PLAN DEVELOPMENT



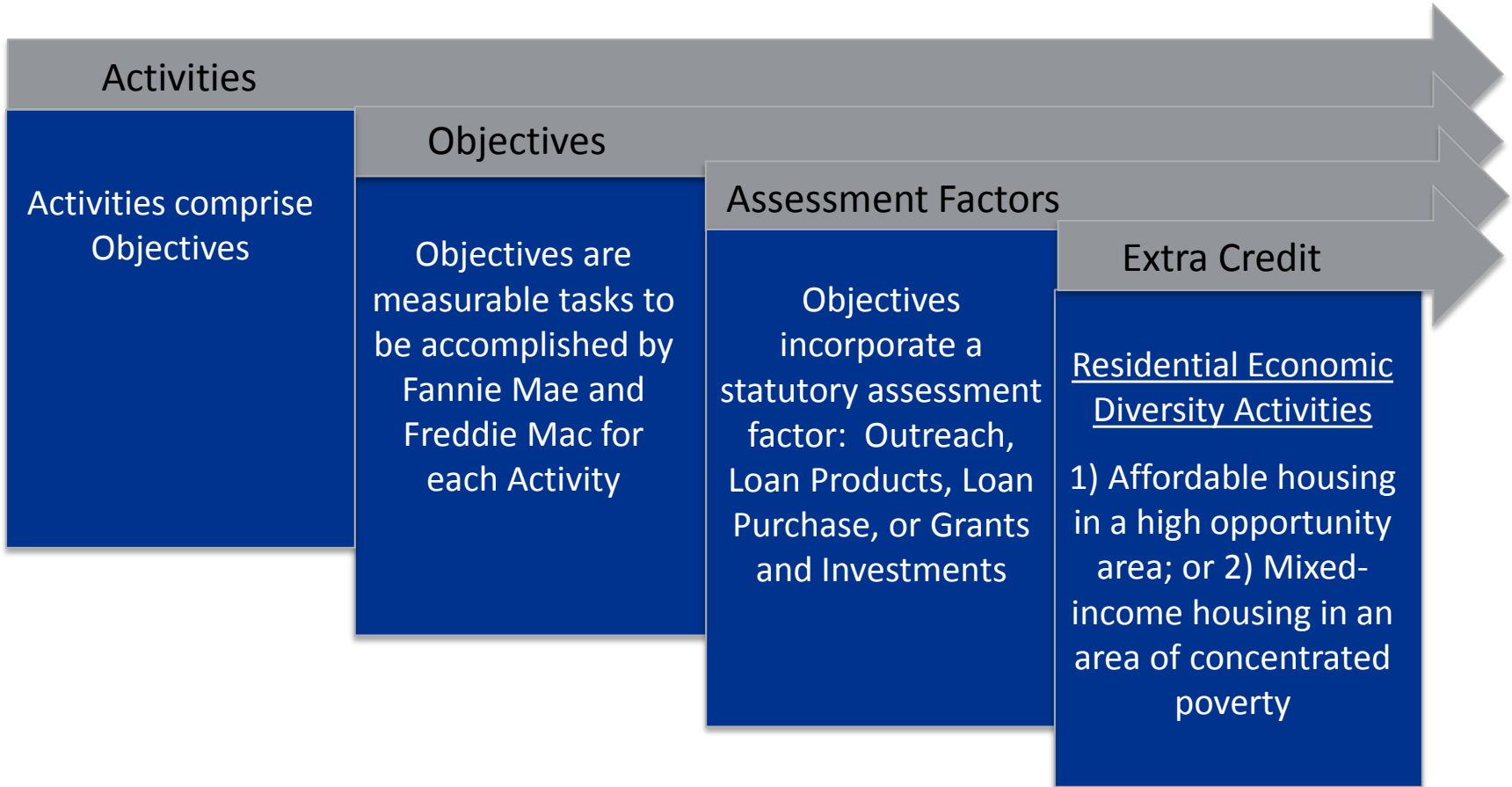
*A final Plan could be modified during its three-year term subject to FHFA non-objection of the modified Plan

ACTIVITIES



*An Enterprise would be required to provide a reason in its Plan if it is not including any Core Activity

ACTIVITY PLANNING



MANUFACTURED HOUSING UNITS

REGULATORY ACTIVITIES



Real estate-financed units

Chattel-financed units:

- Not proposed as a Regulatory Activity
- Seeking public comment on a possible pilot

REGULATORY ACTIVITIES



Manufactured housing communities
blanket loans

Size: Contain \leq 150 pads

OR

Ownership: Residents, non-profits,
government/instrumentalities

OR

Pad Leases: Tenant protections

Determining Affordability: Estimation Methodology

AFFORDABLE HOUSING PRESERVATION

MULTIFAMILY CORE ACTIVITIES



Nine statutorily listed programs

See slide 10



Small multifamily rental properties (5-50 units)
Loan pools from small banks and community-based
lenders



Energy efficiency – multifamily
Retrofit rental properties



The U.S. Department of
Housing and Urban Development's (HUD)
Rental Assistance Demonstration Program (RAD)



HUD's
Choice Neighborhoods Initiative (CNI)

STATUTORILY ENUMERATED ACTIVITIES

The statutorily listed programs are Core Activities

1. HUD Section 8 Rental Assistance Program

2. HUD Section 236 Interest Rate Subsidy Program

3. HUD Section 221(d)(4) FHA Insurance Program

4. HUD Section 202 Housing Program for Elderly Households

5. HUD Section 811 Housing Program for Disabled Households

6. McKinney-Vento Homeless Assistance Programs

7. USDA Section 515 Rural Housing Programs

8. Federal Low-Income Housing Tax Credits (LIHTC)

9. Other Comparable State and Local Affordable Housing Programs

SMALL MULTIFAMILY RENTAL PROPERTIES

A Regulatory Activity is
purchasing small
multifamily loan pools

Small multifamily
(5 to 50 units)

FROM

Small banks &
Community-based lenders
(2015 asset cap of \$1.123 billion)

MULTIFAMILY ENERGY EFFICIENCY

Energy efficiency improvements on existing multifamily rental properties is a Regulatory Activity

Rental: Multifamily properties

Projections that improvements will reduce energy and water consumption by the tenant by at least 15 percent

The reduced utility costs from reduced consumption must not be offset by other charges

The reduced utility costs must offset the upfront costs of the improvements within a reasonable time period

OTHER MULTIFAMILY AFFORDABLE HOUSING PRESERVATION PROGRAMS REGULATORY ACTIVITIES

Rental Assistance Demonstration Program

The RAD program enables public housing authorities to tap outside sources of capital to renovate and preserve public housing units.

Choice Neighborhoods Initiative
CNI focuses on creating mixed-income housing and investing in neighborhood improvements.

AFFORDABLE HOUSING PRESERVATION SINGLE-FAMILY REGULATORY ACTIVITIES



Energy Efficiency – Single-Family
First-lien properties



Shared Equity
Deed-restricted, community land trusts, shared
appreciation

SINGLE-FAMILY ENERGY EFFICIENCY

Energy efficiency improvements on existing single-family, first-lien properties is a Regulatory Activity

Owned: Single-family, first-lien properties

Projections that improvements will reduce energy and water consumption by the homeowner or tenant by at least 15 percent

The reduced utility costs from reduced consumption must not be offset by other charges

The reduced utility costs must offset the upfront costs of the improvements within a reasonable time period

AFFORDABLE HOMEOWNERSHIP PRESERVATION

Shared equity homeownership is a
Regulatory Activity

(homeownership programs with long-term affordability)

Deed-Restricted
Programs

(designed for long-term
affordability; includes, but is
not limited to, the majority of
inclusionary housing
programs)

Legal Mechanism:
Deed covenant

Community Land
Trusts

Legal Mechanism:
Ground lease or deed
covenant

Shared
Appreciation
Loans

Legal Mechanism:
No monthly payment
second mortgage
loan

“RURAL AREA” DEFINITION



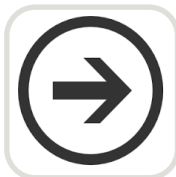
A census tract outside of a Metropolitan Statistical Area (MSA) as designated by the Office of Management and Budget

OR



A census tract that is in an MSA, but outside of the MSA’s Urbanized Areas and Urban Clusters, as designated by the U.S. Department of Agriculture’s Rural-Urban Commuting Area codes

RURAL HOUSING ACTIVITIES



Activities that serve rural areas generally



Activities that serve high-needs rural regions or populations is a Regulatory Activity

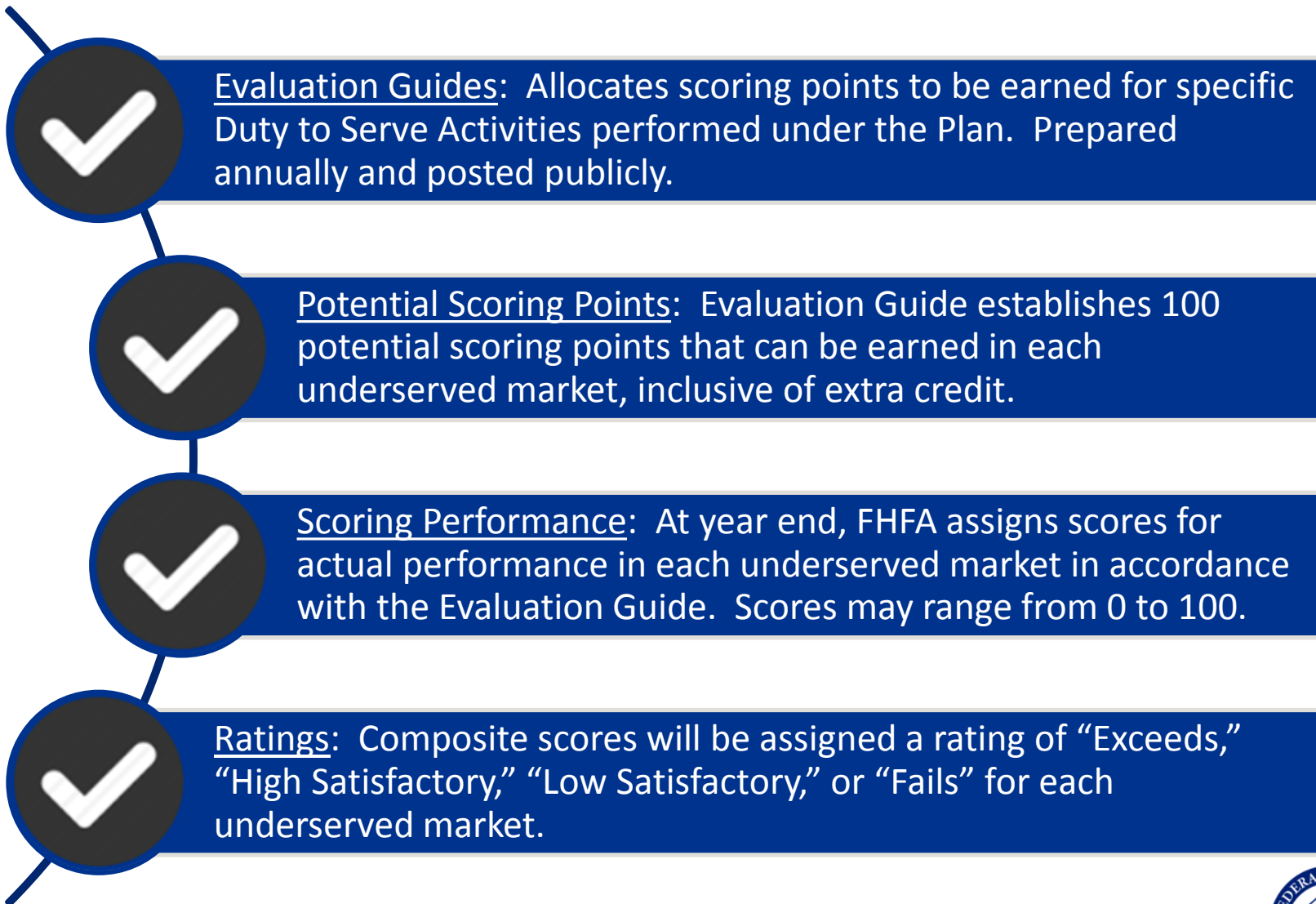
High-needs rural regions:

Middle Appalachia, the Lower Mississippi Delta Region, or a colonia within 150 miles of the U.S.-Mexico border

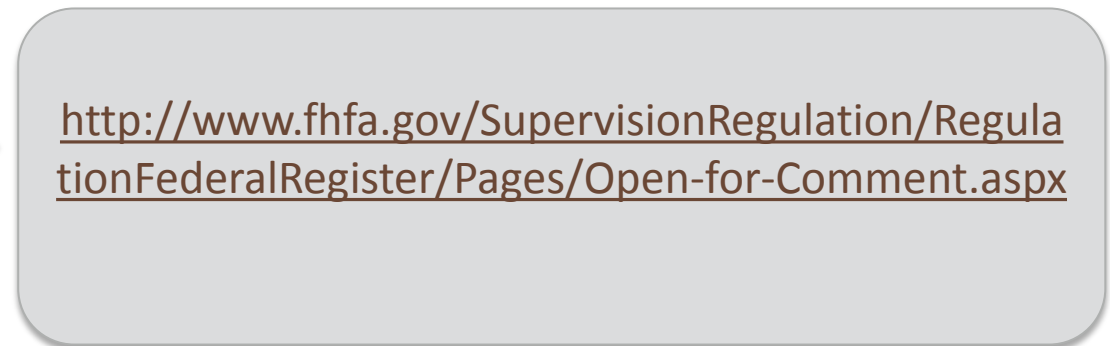
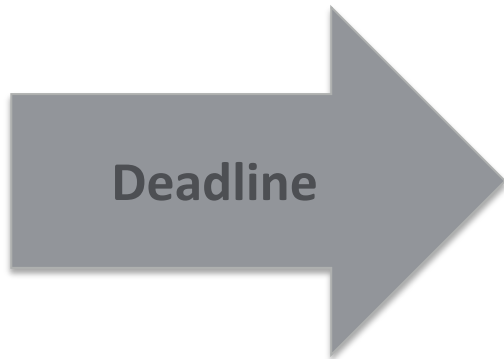
High-needs rural populations (as Federally defined):

Members of a Federally recognized Indian Tribe located in an Indian area, or migrant or seasonal agricultural workers

EVALUATIONS AND RATINGS



COMMENTS ON THE PROPOSED RULE



FOR MORE INFORMATION

FHFA website address for the 2015 Duty to Serve proposed rule:

<https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Enterprise-Duty-to-Serve-Underserved-Markets-Proposed-Rule.aspx>

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Findings from the Economic Research Service show that more than 50 percent of all rural individuals and families live within Metropolitan Statistical Areas (MSAs). What share of that population would be targeted by the Enterprises' strategic plan for Rural Housing? Our interpretation is that areas within MSAs with populations greater than 2,500 would be excluded from the definition of "rural area."

Question submitted by the National Rural Housing Coalition

Would Duty to Serve credit be available for any activities that include collaboration with the U.S. Department of Agriculture's Section 502 Direct or Guaranteed Single-Family Housing Loan Programs?

Question submitted by the U.S. Department of Agriculture

Should the definition of “high-needs rural regions” be expanded to include rural persistent poverty counties?

Question submitted by the National Rural Housing Coalition

Would refinancing of Section 515 or 514 mortgages to maintain their affordability status fall within the scope of preservation activities for affordable rental housing?

Question submitted by the National Rural Housing Coalition

Why has FHFA limited Duty to Serve credit to pool purchases from small banks and community-based lenders? Would FHFA consider larger banks?

Question submitted by Freddie Mac

If FHFA were to allow the [Enterprises] to become Low-Income Housing Tax Credit (LIHTC) equity investors again, does FHFA intend to place any limits on such investments? If so, what limits?

Question submitted by Novogradac & Company LLP

How does FHFA justify a “Duty to Serve” proposal that on its face would “serve” no more, and most likely significantly less than, 22 percent of the manufactured housing market?

Question submitted by the Manufactured Housing Association for Regulatory Reform

Will FHFA consider changes to the Fannie Mae and Freddie Mac Selling Guides on manufactured homes titled as real estate to allow financing of property damage insurance, liberalize maximum Loan-to-Value calculation criteria, and allow financing of homes without data plates and/or the Department of Housing and Urban Development tags?

Question submitted by the Manufactured Housing Institute

How does the FHFA envision the process for considering and implementing a chattel-loan pilot program?

Question submitted by the Manufactured Housing Institute

Would the application of the Real Estate Settlement Procedures Act (RESPA)-required procedures, or other types of consumer protection laws, be a basis for adding to the types of manufactured housing that are relevant for the Duty to Serve?

Question submitted by Reinvestment Partners

If the changes include the right for homeowners to try to sell their home in the [manufactured housing community], what if the potential purchaser does not meet the community requirements to lease the pad? How would that conflict be resolved?

Question submitted by American Commerce Bank

The proposed rule makes numerous references to “residential economic diversity” or mixed-income development. Can FHFA provide more guidance as to what would qualify under this term and what would not?

Question submitted by Fannie Mae

How does this proposed rule interplay with the housing goals rule for the Enterprises?



(Transcript)

Jim Gray: Our thanks to all the stakeholders who are making time in your busy schedules to participate in this Duty to Serve webinar. Please note that the presentation is being recorded today and a link to the PowerPoint slide will be emailed to all the webinar participants immediately following today's presentation. This presentation, along with the questions asked, the identities of the questioners and FHFA responses, will all be included in the public comment record for this rule making.

Today we will cover a lot of ground on the proposed rule. We will summarize it and then answer questions. Our summary will follow the structure of the proposed rule. First we will describe the framework of the rule, which is based on a strategic planning concept. Second, the bulk of this presentation will be going through each of 3 underserved markets: manufactured housing, affordable housing preservation, and rural housing, and summarizing certain activities that Freddie Mac and Fannie Mae will be required to consider in constructing their plan. Note that Freddie Mac and Fannie Mae are sometimes collectively referred to as "the enterprises" in this presentation.

Third, we will briefly summarize the process for evaluating Freddie Mac and Fannie Mae's performance on their plans. Finally, we will answer the pre-submitted questions. We encourage all of you to comment on the rule by submitting written comments by the deadline on March 17, 2016. The proposed rule would not prohibit or authorize any government sponsored enterprise activities. The proposed rule only determines which activities are eligible for Duty to Serve credit.

I will now turn it over to Mike Price, who will summarize how today's webinar will work. Mike?

Mike Price: Thank you, Jim. First, the FHFA staff will summarize the rule. Following the summary, we've selected 13 questions to answer from the pool of pre-submitted questions. We chose questions that would help clarify the contents of the rule. We will read the question and provide a response, and the question will be shown on the screen. Jim will now give you an overview of the rule making.

Jim Gray: Thank you, Mike. Before we proceed to the rule, there are 3 important things to understand about what is included in the Duty to Serve and what is excluded. First, we are only talking about a specific Duty to Serve requirement created by Congress in the Housing and Economic Recovery Act of 2008. This term, "Duty to Serve," is often used by stakeholders engaged in the debate on housing finance reform. Today we are not talking about the enterprises' broad Duty to Serve in the context of housing finance reform. We are only talking about a specific statutory requirement.

Second, this specific statutory Duty to Serve addressed in this proposed rule requires Fannie Mae and Freddie Mac to serve very low, low, and moderate income families. Activities that assist families above the moderate income level are not eligible for Duty to Serve credit. This is one of the important differences between the Duty to Serve and the enterprise's housing goals, where loan purchases in certain neighborhoods receive credit, regardless of the income of the borrower.



(Transcript)

Third, under the statute, Duty to Serve credit is only available for activities that help families rent or buy homes in three specified underserved markets: manufactured housing, affordable housing preservation, and rural housing. Please keep these statutory constraints in mind as we go through this presentation on the proposed rule.

This is important enough that I want to recap the statutory constraints once more. Duty to Serve means only the things covered in the statute, not the enterprise's general duties in the market. Duty to Serve means only very low, low, or moderate income families. Finally, Duty to Serve means it must be manufactured housing, affordable housing preservation, or rural housing, nothing else. For those of you who were familiar with the original Duty to Serve proposed rule, there are important differences between that and this new proposed rule. I will not summarize all of the changes, but there are 2 that I want to draw your attention to.

First, this proposal would require the enterprises to seek public input on their plans. Right now, FHFA is seeking public comment on this proposed rule, but if this rule is adopted as proposed, every 3 years, when Fannie Mae and Freddie Mac prepare a draft plan, that plan will require public input.

Second, this proposed rule has the concept of core activities that the enterprises are required to consider in drafting their plan. If an enterprise chooses not to include any one of the core activities, public stakeholders will get to see the reasons the enterprise chose not to include that core activity when the enterprise seeks public input on its plan.

Our final overview point is that FHFA has the responsibility, under the law, to annually evaluate and rate Fannie Mae and Freddie Mac's performance in each of these 3 underserved markets, and report the results to Congress. I will now turn it over to John Foley, who will take the first major piece of this presentation and outline the framework for the Duty to Serve, which is based on an underserved markets plan concept that John will explain.

John Foley: Thank you, Jim. Slide 4 illustrates the underserved markets plan development process. The proposed rule would require each enterprise to prepare an underserved markets plan, describing in detail how it would meet its Duty to Serve obligations. Plans would cover 3-year periods. After an enterprise has prepared a draft plan, an approximately 6-month review process would commence. The first step in the process would be to post the draft plan, with confidential and proprietary information removed, on FHFA's web page for a 45-day public input period.

During the input period, interested parties could submit written input on the plan. Please note that the draft plan public input period is part of the plan approval process, and is not part of the proposed Duty to Serve rule making. Underserved markets plan preparation would occur after the affected date of the final Duty to Serve rule.

After the close of the public input period, FHFA would formally comment on an enterprise's draft plan. An enterprise would then revise its plan based on FHFA's



(Transcript)

comments, as applicable. Any public input could be considered by both FHFA and an enterprise. We anticipate that the formal FHFA comment process would involve a back-and-forth exchange of multiple draft plans. A plan would become final after FHFA completes its review and issues a non-objection to the plan. An enterprise and FHFA would then post the final plan on their respective websites.

Slide 5 illustrates the roles of statutory, regulatory, and additional activities. Underserved markets plans would comprise separate Duty to Serve activities. Each activity must be directed at 1 or more of the 3 underserved markets. Activities represent the most important aspect of the Duty to Serve framework. The core activities in the proposed rule are 9 categories of statutory activities set forth in HERA, and 11 regulatory activities developed by FHFA in the proposed rule.

Each of these activities will be discussed later in the presentation. While an enterprise would not be required to include every statutory and regulatory activity in its plan, if a plan omits a statutory or regulatory activity, the plan must include a written explanation for its omission. In addition, to statutory and regulatory activities ... The proposed rule gives the enterprises the ability to incorporate additional activities into their underserved markets plans.

We believe that the enterprises will be able to use additional activities to creatively develop other ways to serve underserved markets, and to keep the Duty to Serve current, as markets evolve. The enterprises currently offer financing in each of the 3 underserved markets, and then years of experience should give them insights into additional ways to enhance their support for the underserved markets.

Next, slide 6 discusses objectives, which are the sub-components of activities in the proposed rule. Once an enterprise determines its plan activities, each activity then would comprise specific, measurable objectives that provide deliberate steps for accomplishing the activity. Each objective must incorporate 1 of the 4 HERA statutory assessment factors: outreach, loan products, loan purchase, or grants and investments. Now, Chris Tawa will explain an additional criteria.

Chris Tawa: Thank you, John, and hello, America. In addition to the 4 statutory assessment factors that John just described, the proposed rule would include residential economic diversity as a non-mandatory additional criteria. Under it, Fannie Mae or Freddie Mac may earn extra credit under the proposed rule's rating system for activities supporting existing affordable housing properties in high opportunity areas, or for existing mixed-income properties in areas of concentrated poverty, as those areas are declined by HUD.

Inclusion of this criteria in the proposed rule is intended to support federal housing policies addressing deconcentration of poverty and creating mixed-income housing communities.

Next we turn to manufactured housing, which is the first of the 3 underserved markets that are specified in the statute. The proposed rule would divide manufactured housing into 2 parts: financing for the units themselves, and financing for manufactured housing



(Transcript)

rental communities. Mike Price will discuss the unit-financing proposals, after which I'll discuss the rental communities proposals. Mike?

Mike Price: Thank you, Chris. As most of you know, manufactured housing units can be titled and financed either as real estate or as personal property, also known as chattel. The proposed rule would provide Duty to Serve credit for manufactured housing units financed as real estate but not as chattel. FHFA believes that Fannie Mae and Freddie Mac may be able to use their market presence to expand the use of real estate financing for manufactured homes. In fact, the CFPB estimated that 65 percent of borrowers who owned their land, and who took out a loan to buy a manufactured home between 2001 and 2010, ended up with a chattel loan.

Now, the advantage of real estate financing are first, that these mortgages perform well, and second, that borrowers benefit from some consumer protection laws unavailable for chattel borrowers. Of course, we are also concerned that chattel loans have historically performed very poorly. Although chattel loans would be ineligible for Duty to Serve credit under the proposed rule, the proposed rule seeks public comments on this. This concludes the summary of the manufactured housing unit portion of the presentation. Chris Tawa will now summarize how the proposed rule addresses financing for manufactured housing communities.

Chris Tawa: Thank you, Mike. This is for slide 8. As everyone knows, both Fannie Mae and Freddie Mac purchased blanket mortgages on manufactured housing rental communities, with Fannie Mae having participated in this market segment for about 15 years, and Freddie Mac having entered it about a year and a half ago. The proposed rule would encourage the enterprises to focus their blanket mortgage activities on 3 specific types of manufactured housing communities.

First is to provide Duty to Serve credit for enterprise purchases of blanket mortgages on small manufactured housing communities of 150 pads or less. Communities of this size comprise over 80 percent of all manufactured housing communities in the country, and most are owned by local and regional operators, but the enterprises' purchases of loans are disproportionately on larger sized manufactured housing communities owned by national operators and REITs. This provision would encourage the enterprises to offer the benefits of the blanket mortgage purchases to a broader range of manufactured housing communities.

Second is to provide Duty to Serve credit for enterprise purchases of blanket mortgages on communities with specialized ownership, defined as communities owned by their residents, by a non-profit, or by a government instrumentality, any of which will preserve the community as an affordable housing resource. This is admittedly a very small segment of the manufactured housing community market at this time, but we expect it to grow in the future, especially with the enterprises' support.

Third is to provide Duty to Serve credit for enterprise purchases of blanket mortgages on manufactured housing communities that include certain tenant protections in the pad leases used at the property, although let me emphasize and correct certain reports



(Transcript)

that have circulated, that inclusion of these provisions would not be required as a condition of obtaining an enterprise back blanket mortgage, and is not a precondition for applying for one.

The protections specified in the proposed rule include a tenant's right to sublease the pad in connection with the sale of their unit, and a tenant's right to notice of a planned sale or closure of a manufactured housing community. Our research shows that these communities are subject to a broad range of state tenant protection laws with some much weaker than others, and that certain basic protections, such as those proposed in the rule, should be universal and could be adopted more broadly with the enterprises' support.

Lastly, the proposed rule includes an estimation methodology for determining the affordability of a community, given the limited information that is available about tenant incomes and their total housing costs.

Next, I'll discuss the second underserved market specified in the statute, which is affordable housing preservation, and this is slide 9. The rule proposes activities that would support affordable housing preservation, both the multifamily and single family housing markets. First, I'll discuss the proposed multifamily preservation activities that are listed in this slide.

The statute specifies 9 categories of affordable housing subsidy programs for the enterprises' support, and the rule proposes an additional 4 multifamily preservation activities or programs that FHFA believes are consistent with the larger goal of affordable housing preservation. The topics on slide 9, we'll go into some detail in the following slides.

Slide 10 shows the statutorily enumerated activities that were included in the statute. Fannie Mae and Freddie Mac are most active in the HUD Section 8 Rental Assistance Program, and in financing projects which use federal low income housing tax credits. Many of these projects also include comparable state and local affordable housing programs. The statute, however, also makes reference to certain other HUD subsidy programs, grant programs, and FHA insurance programs. We believe that the statute intended for Fannie Mae and Freddie Mac to provide financing that supports the preservation of affordable housing that was created under these programs, and we see comments, another way the enterprises can support preservation of affordable housing properties that are funded under these programs.

Slide 11 states a proposed regulatory activity supporting small multifamily rental properties. Small multifamily properties of 5 to 50 units are a primary source of market rate housing that is affordable to low and moderate income renters. The proposed regulatory activity would have the enterprises buy pools of loans from small community and regional banks and running intermediaries to support these institution's ability to make new loans. The size of the institution as proposed, as stated on the slide, is something for which FHFA seeks comment under the proposed regulation.



(Transcript)

Slide 10 discusses multifamily energy efficiency. Rental housing affordability is determined by adding both the cost of rent and the cost of tenant paid utilities as a percentage of a tenant's income. If energy efficiency improvements to reduce energy consumption and thus energy expenses, that can help preserve housing affordability to a tenant.

There are 3 requirements for this proposed activity. First, that projections must show that the energy efficiency improvements will reduce energy and water consumption by at least 15 percent below current usage. Secondly, that there's a showing that the reduced utility costs that would derive from reduced consumption would not be upset by other charges from the landlord, specifically a rent increase, and thirdly, that the reduced utility costs that come from the improvements and the reduced expenses for utilities must offset the upfront costs of the improvements within a reasonable period of time.

On slide 13 we show 2 other multifamily affordable housing preservation programs that we propose be included as a Duty to Serve activity. These are both HUD programs. First, the Rental Assistance Demonstration Program, otherwise known as RAD, and secondly, the Choice Neighborhoods Initiative. Both are HUD programs as I mentioned, and they may very well have been included in HERA, had they existed at that time.

RAD addresses distressed public housing. It converts the property's operating funds to project-based vouchers for Section 8 rental assistance contracts. This allows housing authorities to leverage other sources of capital for rehabilitation and preservation of public housing units.

The second HUD program, as we have identified in the proposed reg as a regulatory activity is the Choice Neighborhoods Initiative. Choice Neighborhoods is a successor to the HOPE VI program. Under this initiative HUD provides grants for both planning and implementation in support of developing mixed-income housing, and neighborhood upgrades and amenities. Financing that preserves affordable housing under either of these programs would be a regulatory activity. This wraps up the slides on affordable housing preservation multifamily activities. I will now turn it over to Matt Douglas, who will discuss the first of the 2 affordable housing preservation single family activities.

Matt Douglas: Thanks, Chris. There are 2 regulatory activities for affordable housing preservation on the single family side: energy efficiency and shared equity. I will summarize the energy efficiency core activity, which is similar to the multifamily energy efficiency activity just described by Chris.

As with multifamily rental properties, preservation of affordable single family properties, both home ownership or rental, may also encompass lower income energy costs. Lowering energy costs can help a home owner to continue to afford mortgage payments and other housing costs and remain in their home, or to help a tenant afford their rent. For a property to qualify for the single family energy efficiency activity, it must be a single family, 1 to 4 unit home, where the loan is in first-lien position. To qualify for Duty to Serve credit, there must be verifiable and reliable projections or



(Transcript)

expectations that the improvements financed by the loan will reduce energy and water consumption by the home owner or tenant by at least 15 percent.

In the case of a single family rental property, the reduced utility costs must not be offset by higher rents or other charges imposed by the property owner. Lastly, the reduced utility costs derived from the reduced consumption must offset the upfront costs of the improvements within a reasonable time period.

Now, Jim Gray will discuss the other affordable housing preservation single family activity, shared equity.

Jim Gray: Thank you, Matt. Shared equity is included in the proposed rule to encourage long term preservation of affordable home ownership units to complement preservation of affordable rental housing, already discussed. To be eligible, a shared equity program would have to be administered by one of 3 types of eligible program sponsors, and eligible programs must do 3 things.

First, the 3 types of qualifying shared equity sponsoring organizations are: community land trusts, other non-profit organizations, and state or local governments or instrumentalities. Second, the 3 activities that all qualifying shared equity programs would have to do to get Duty to Serve credit under the proposed rule are, first, ensure affordability for 30 years. Longer is permissible if permitted by state law. Second, monitor the units to ensure affordability is preserved over resales, and third, support the homeowners to promote successful home ownership.

The slide that you see outlines the 3 principal strategies for preserving affordable ownership: deed-restricted programs, community land trusts, and shared appreciation loan programs. I'll offer a brief explanation of each.

Deed-restriction programs are where a restricted covenant is attached to the deed when a home is purchased at a below market price. The covenant ensures that when the property is resold, it will be at an affordable price, usually below market value, to another eligible household.

Community land trusts is where a land trust retains ownership of the land using a ground lease. A resale formula in the ground lease preserves affordability by stipulating a below market value price for which the homeowner may sell the home to an income-eligible buyer in the future.

Shared appreciation loans are when a home is sold at market value to an income-eligible purchaser, but the program provides a no-payment, second mortgage loan that is fully due upon sale, and typically at 0 percent interest. The loan document stipulates the home owners share of the appreciation upon resale. The share of the appreciation that goes to the program is used to increase the shared appreciation loan amount and make the home affordable for the subsequent buyer.



(Transcript)

Proprietary shared appreciation loans, where an investor receives part of the equity in exchange for making the home affordable for a single buyer only, do not preserve affordability, and are excluded from Duty to Serve. This concludes the summary of the core activities for the affordable housing preservation market. Please remember that the enterprises may also propose additional activities to serve underserved markets. Next, I turn it over to Bob Witt to summarize the third and final specified underserved market, rural housing.

Bob Witt: Thanks, Jim. The first rural market slides addresses the need for a rural area definition so that FHFA can evaluate the enterprises' activities in rural markets, and measure their performance under their underserved market plans. The proposed definition is intended to give the enterprises broad flexibility to undertake and receive credit for activities in rural markets.

FHFA considered 3 main criteria in developing a rural area definition. The definition must include rural residents living in outlying counties of metropolitan areas, remain stable over time, and be easy to implement by the enterprises. In developing its definition of rural area, FHFA considered other agency definitions of rural. However, each definition we looked at lacked one or more of the criteria set forth in developing a Duty to Serve definition.

The proposed rule would define a rural area as a census tract outside of a metropolitan statistical area or MSA, designated by OMB, or a census tract in an MSA, but outside of the MSA's urbanized areas and urban clusters, as designated by the USDA's Rural-Urban Commuting Area codes.

The next slide covers 2 categories of rural housing activities: activities that serve rural areas generally, and activities that serve high-needs rural regions and populations. Under the first activity, the enterprises would be required to evaluate their current activities in rural areas, and identify opportunities to increase those activities. This evaluation could include the enterprises working through federal and state programs and with local stakeholders to address liquidity needs in rural markets.

The proposed rule defines eligible activities as enterprise activities that facilitate a secondary market for mortgages on rental residential properties for very low, low, or moderate income families in rural areas. Examples of activities could include modifying their underwriting guidelines for rural loans eligible for purchase, increasing loan purchases in these areas, or developing strategies for extending education, outreach, and technical assistance to groups that support housing in these areas.

These groups would include small and rural lenders, community banks, local housing finance agencies, and community development financial institutions, as well as non-profit and for-profit organizations serving rural markets. Other activities could also include enterprise marketing to lenders in rural areas in an effort to increase the number of approved lenders in those areas.



(Transcript)

The enterprises have increased their purchases of mortgage loans in rural markets over the past 5 years and have expanded their outreach to community banks and other rural lenders over the past year. However, there continues to be a need for outreach, support, and capacity building for rural lenders to facilitate their origination of loans for housing in rural areas, which the enterprises could purchase.

The enterprises would also receive Duty to Serve credit for enterprise support of financing of income eligible housing for high-needs rural regions and high-needs rural populations. This activity would represent a regulatory activity, so the enterprises would have to address high-needs regions and populations in their underserved market plans by indicating how they choose to undertake the activity, or the reasons why they will not undertake the activity. The proposed rule would include definitions of high-needs rural regions and high-needs rural populations.

A high-needs rural region is defined as any of the following regions, provided they are located in a rural area. These regions are Middle Appalachia, the Lower Mississippi Delta Region, and colonias. Colonias are primarily located within 150 miles of the U.S.-Mexico border in Arizona, New Mexico, Texas, and California. These states, and some counties within these states, identify these communities as colonias for various housing purposes and programs.

The proposed rule would define high-needs rural populations as any of the following federally defined populations, provided they are located in a rural area. These populations are members of an Indian Tribe located in an Indian area, or migrant and seasonal agricultural workers. FHFA chose these rural regions and populations because they are characterized by a high concentration of persistent poverty and substandard housing conditions. The other activities previously mentioned that serve rural areas generally would also be creditable activities in these high-needs regions and populations.

This concludes the summary of the rural housing markets. Now I'll turn it back over to John Foley, who will summarize how Fannie Mae and Freddie Mac would be evaluated in their performance under the Duty to Serve. John?

John Foley: Thank you, Bob. You will recall that we began this summary of the proposed Duty to Serve rule by setting out the Duty to Serve framework, which largely revolves around underserved markets plans. Then we summarized regulatory activities in each of the 3 specified underserved markets. Now I'll summarize how FHFA proposes to evaluate and rate Fannie Mae and Freddie Mac's Duty to Serve performance, which is shown on slide 19.

HERA requires FHFA to annually evaluate and rate each enterprise's Duty to Serve performance, and to report its conclusions to Congress. FHFA would evaluate an enterprise's Duty to Serve performance based on how well the enterprise has implemented its plan during the evaluation year. FHFA would set forth its evaluation criteria in a separate FHFA prepared evaluation guide, covering each enterprise's Duty to Serve Plan activities for each evaluation year.



(Transcript)

Evaluation guides would be posted on the respective enterprise's website and on FHFA's website. Evaluation guides would allocate a range of potential scoring points. For example, a maximum of 10 and a minimum of 0 to each plan activity. The total number of scoring points that could be allocated to all plan activities grouped under a particular underserved market would be 100 points. At the end of the evaluation period, FHFA would compare the evaluation guide criteria to an enterprise's actual performance under its plan, and assign a final score to each plan activity. The final scores for all the plan activities grouped under each underserved market would then be summed to produce an overall composite score ranging from 0 to 100. The composite scores would be compared to a grid provided for in the evaluation guide.

Depending on where an underserved market's composite score fell on the grid, an enterprise would receive an overall rating of "Exceeds," "High Satisfactory," "Low Satisfactory," or "Fails" for that underserved market. During the evaluation year, each enterprise would provide FHFA with quarterly data feeds. Each enterprise would also meet with FHFA each quarter, to discuss their progress. Finally, each enterprise would prepare reports for FHFA describing its Duty to Serve activities during the preceding year.

That concludes the overview of the proposed rule. I'll now turn the discussion back to Jim.

Jim Gray: Thank you, John. There are a few points I want to reiterate before the question and answer period. First, Duty to Serve only applies to activities serving very low, low, and moderate income people in 3 market segments: manufactured housing, affordable housing preservation, and rural housing. Second, you need to submit a written comment to have your view considered by the agency in the development of the final rule. Your comments must be submitted by March 17, 2016. Comments may be submitted electronically to the web portal shown in slide 20 or in writing to the mailing address in the proposed rule. Please do not use the mailbox that you use to register for this webinar to submit your comments.

The presentation we have just been through will be emailed to each of you at the conclusion of the webinar, and the presentations will also be posted on FHFA's website, along with links to the press release, the fact sheet, and the proposed rule itself.

Now we will address some of your questions submitted in advance. 90 questions were submitted in advance. We chose questions that we thought would be of most interest to a broad audience, trying to cover all 3 of the markets in the questions that we address. Whether or not the question that you emailed us is addressed on today's webinar, it will become part of our rule making public comment record. We invite you to submit a public comment through our web portal or through the mail.

We will first address questions on rural housing, then affordable housing preservation, then manufactured housing, and finally 2 more general questions.



(Transcript)

All right, the first question was submitted by the National Rural Housing Coalition. "Findings from the Economic Research Service show that more than 50 percent of all rural individuals and families live within Metropolitan Statistical Areas or MSA's. What share of that population would be targeted by the enterprises' strategic plan for rural housing? Our interpretation is that areas within MSA's with populations greater than 2500 would be excluded from the definition of 'rural area.'" I will turn to Bob Witt to answer that question.

Bob Witt: Thanks, Jim. The proposed rule definition of "rural area" is a census tract that is outside of an MSA as designated by OMB, or a census tract that's in an MSA but outside of the MSA's urbanized areas and urban clusters, as designated by the USDA's Rural Urban Commuting Area codes. The population cut-offs are embedded in the definition of the RUCA codes. Specifically, an urban cluster must have at least 2500 people, so areas within MSA's that have populations of up to 2500 are included in the proposed definition of "rural area." The proposed definition of "rural area" is intended to provide the enterprises with broad flexibility to undertake and receive Duty to Serve credit for activities in rural markets. The proposed definition of "rural area" would cover approximately 24.7 percent of the population in the U.S. and Puerto Rico.

Jim Gray: The second question was submitted by the U.S. Department of Agriculture. "Would Duty to Serve credit be available for any activities that include collaboration with the U.S. Department of Agriculture's Section 502 Direct or Guaranteed Single-Family Housing Loan Programs?" Bob?

Bob Witt: Yes, each enterprise is encouraged to propose additional activities that serve the rural markets generally, and this could include loan purchases under the USDA Section 502 Direct or Guaranteed Single-Family Housing Loan Programs. In fact, most of the USDA programs which serve multifamily and single family housing are potentially eligible for Duty to Serve credit, so long as they serve very low, low, moderate income families in rural areas, as defined in the proposed rule.

Jim Gray: The third question was submitted by the National Rural Housing Coalition. "Should the definition of 'high-needs rural regions' be expanded to include rural persistent poverty counties?" Bob?

Bob Witt: The specific high-needs rural regions and populations identified in the Duty to Serve proposed rule were proposed because they're characterized by a high concentration of persistent poverty and substandard housing conditions. The proposed rule requests comment on whether there are other high-need rural regions and populations that should be specified in the rule, and how they should be defined.

The proposed rule would not limit the enterprises to activities supporting these specific high-need rural regions and populations in order to receive Duty to Serve credit under the rural markets. The proposed rule simply identifies these high-need rural regions and populations as a regulatory activity that the enterprises must consider in developing their underserved market plans. If an enterprise believes that very low, low, or moderate income families in rural markets would benefit from enterprise activities



(Transcript)

involving other specific rural regions and populations, the enterprises may propose those as additional activities in its plan.

The proposed rule also would provide extra Duty to Serve credit for mixed-income housing located in areas of concentrated poverty, defined in the proposed rule as census tracts designated by HUD as qualified census tracts. If those qualified census tracts are located in rural areas as defined in the proposed rule, an enterprise would receive extra Duty to Serve credit for supporting mixed-income housing in those areas of concentrated poverty under the rural markets.

Jim Gray: The next few questions pertain to affordable housing preservation. Question 4 was submitted by the National Rural Housing Coalition. "Would refinancing of Section 515 or 514 mortgages to maintain their affordability status fall within the scope of preservation activities for affordable rental housing?" Chris Tawa?

Chris Tawa: Absolutely. If Fannie Mae or Freddie Mac provide permanent financing that helps preserve affordable housing properties that were developed under the rural housing programs of the USDA, that would qualify as a housing preservation activity under the proposed rule.

Jim Gray: Question 5 was submitted by Freddie Mac. "Why has FHFA limited Duty to Serve credit to pool purchases from small banks and community-based lenders, and would FHFA consider larger banks?" Chris?

Chris Tawa: Our research into the small multifamily property market shows that smaller community and regional banks are a primary source of financing for properties with 5 to 50 units, especially in smaller metro areas and in secondary and tertiary markets. However, these loans are often placed in the bank's portfolio, which limits the bank's ability to provide liquidity to this sector. If Fannie Mae and Freddie Mac purchase loan pools from these banks, it would give them new liquidity and make more loans to smaller properties in the areas they serve.

Fannie and Freddie already offer retail lending programs through their lenders for permanent financing on small multifamily properties from which they receive regulatory credit under the housing goals rule. As to the question of the larger banks, the proposed rule would not limit the enterprises' to purchasing loans on small multifamily and rental properties from smaller, community-based lenders in order to receive Duty to Serve credit. The proposed rule simply identifies this activity as a regulatory activity that the enterprises must consider in developing their underserved markets plan.

If an enterprise believes that very low, low, or moderate income families in the affordable housing market would benefit from the enterprise's purchasing loans on small multifamily properties from larger lenders, the enterprise may propose that as an additional activity in its plan, and indeed, we solicit comments during the comment period on the appropriate size of regional banks and community-based lenders which we should consider within the reg.



(Transcript)

Jim Gray: Question 6 was submitted by Novogradac & Company. "If FHFA were to allow the enterprises to become Low-Income Housing Tax Credit equity investors again, does FHFA intend to place any limits on such investments? If so, what limits?" Chris?

Chris Tawa: Jim, in recognition of the current Low-Income Housing Tax Credit equity market conditions, FHFA has not included anything in their proposed rule that would permit the resumption of tax credit equity investments or guarantees by the enterprises. However, since the Duty to Serve statute specifically lists Low-Income Housing Tax Credits under the affordable housing preservation market criteria, and it includes investments generally as one of the assessment criteria, FHFA is requesting comment in the proposed rule on whether it should consider permitting the enterprises to make tax credit equity investments, and if so, on what terms.

We are particularly interested in learning if there are underserved segments of the tax credit equity market, such as for properties located in rural or non-CRA areas, or for mixed-income properties that may benefit from the enterprise-resumed participation in tax credit equity investment.

Jim Gray: Okay, the next few questions pertain to manufactured housing. Question 7 was submitted by the Manufactured Housing Association for Regulatory Reform. "How does FHFA justify a Duty to Serve proposal that on its face would serve no more, and most likely significantly less, than 22 percent of the manufactured housing market?" Mike Price?

Mike Price: The enterprises may be able to use their market presence to expand the use of real estate financing for manufactured homes. The Consumer Financial Protection Bureau estimates that 65 percent of borrowers who own their land finance their units as chattel rather than as real estate. The Manufactured Housing Institute states that growing numbers of buyers are opting to place their homes on land they are purchasing or already own.

Safety and soundness concerns have played a significant role in our decision to propose excluding the purchase of chattel loans on manufactured homes from receiving Duty to Serve credit. Chattel loans historically have performed poorly with significant consequences for their borrowers. However, we are requesting comment in the proposed rule on whether the enterprises should receive Duty to Serve credit for the enterprise development and implementation of a pilot initiative to purchase chattel loans that is approved by FHFA.

Jim Gray: Okay. Question 8 was submitted by the Manufactured Housing Institute. "Will FHFA consider changes to the Fannie Mae and Freddie Mac Selling Guides on manufactured homes titled as real estate to allow financing of property damage insurance, liberalize maximum Loan-to-Value calculation criteria, and allow financing of homes without data plates and/or the Department of Housing and Urban Development tags?" Mike?

Mike Price: Fannie Mae and Freddie Mac draft their Selling Guides. FHFA does not draft the Selling Guides for them. FHFA cannot pre-judge the specific items mentioned in this question



(Transcript)

without knowing more about them, and going through an evaluative process. However, in general, in evaluating Fannie Mae's and Freddie Mac's Duty to Serve performance, the statute requires FHFA to consider their development of loan products, more flexible underwriting dialogues, and other innovative approaches to providing financing to each underserved market.

Jim Gray: Question 9 was submitted by the Manufactured Housing Institute. "How does the FHFA envision the process for considering and implementing a chattel loan pilot program?"
Mike?

Mike Price: As proposed, the rule would not provide Duty to Serve credit for the enterprises for supporting chattel lending. However, we are requesting comment in the proposed rule on whether the enterprises should receive credit for enterprise development and implementation of a chattel loans pilot initiative that is approved by FHFA. If Duty to Serve credit for such a pilot is authorized in the final rule, the enterprises would need to determine whether they want to undertake such an initiative and develop and submit a proposal through FHFA for approval.

Jim Gray: Question 10 was submitted by Reinvestment Partners. "Would the application of the Real Estate Settlement Procedures Act (RESPA)-required procedures, or other types of consumer protection laws, be a basis for adding to the types of manufactured housing that are relevant for the Duty to Serve?" Mike?

Mike Price: We have requested comment in the proposed rule on whether the enterprises should receive Duty to Serve credit for enterprise development and implementation of a chattel loans pilot initiative. However, there may be substantial difficulties in developing disclosures for borrowers analogous to those required under RESPA, particularly the prohibition on unearned referral fees and the requirements for disclosures to borrower's closing costs. There may also be difficulties in institutionalizing these disclosures among market participants.

Beyond these operational concerns, developing RESPA-like protections may require legislative and regulatory changes. The same may be true for mandating that chattel borrowers have protections and remedies analogous to those that state law affords real estate borrowers in foreclosure.

Jim Gray: Question 11 was submitted by the American Commerce Bank. "If the changes include the right for homeowners to try to sell their homes in the manufactured housing community, what if the potential purchaser does not meet the community requirements to lease the pad? How would that conflict be resolved?" Mike?

Mike Price: The purpose of the proposed provision is to prevent any requirement that the unit owner must first relocate the unit outside the manufactured housing community in order to sell it. The proposed rule does not address any restrictions manufactured housing community owner might impose on the prospective purchases of these units. We welcome comments on the proposed rule's provisions related to manufactured housing communities.



(Transcript)

Jim Gray: The next question pertains to residential economic diversity. Question 12 was submitted by Fannie Mae. "The proposed rule makes numerous references to 'residential economic diversity' or mixed-income development. Can FHFA provide more guidance as to what would qualify under this term and what would not?" Chris?

Chris Tawa: Absolutely. Residential economic diversity is a concept in federal housing policy that seeks to encourage the development or preservation of affordable housing in high opportunity areas, and mixed-income housing in areas of concentrated poverty, with the goal of decreasing concentrated levels of poverty. The Duty to Serve proposed rule would encourage the enterprises to support residential economic diversity in one or more of the underserved markets, by providing credit in connection with mortgages on affordable housing preservation properties in high opportunity areas and in mixed-income housing in areas of concentrated poverty.

Those terms are proposed to be defined in the rule. A high opportunity area would be defined as an area designated by HUD, by HUD regulation I should say, as a difficult development area. Mixed-income housing would be defined as a multifamily property with the government, that may include or comprise single family units that serve very low, low, or moderate income households where at least 25 percent of the units are affordable, to households with incomes above moderate income levels. Area of concentrated poverty would be defined in the census tract, designated by HUD regulation as a qualified census tract.

Jim Gray: The final question was added by FHFA staff. "How does this proposed rule interplay with the housing goals rule for the enterprises?" Our answer is that the housing goals and Duty to Serve rules have the common policy objective of facilitating a secondary market for mortgages on property that serve lower income families. The different approaches in the 2 rules complement each other in important ways.

By setting specific numeric loan purchase or unit goal targets, the housing goals ensure that a portion of enterprise loan purchases are targeted to mortgages on housing that is affordable to very low and low income families. In contrast, the Duty to Serve statute prohibits FHFA from setting specific quantitative loan purchase targets in the Duty to Serve rule. However, the enterprises may propose their own quantitative loan purchase targets for very low, low, and moderate income families.

In addition, the Duty to Serve statute requires the enterprises to focus their efforts in the 3 specified underserved markets, encouraging the enterprises to engage in a broad range of activities to serve these families.

This concludes the question and answer portion of the webinar. We want to remind everyone that public comments are due by March 17, 2016. Everyone is encouraged to submit a comment. Thank you very much for your participation in this webinar. Goodbye.



FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 52 of 106
(Submitted Questions)

From: [Sally Silva](#)
To: [Duty To Serve Stakeholders](#)
Subject: Questions for Webinar
Date: Tuesday, December 15, 2015 5:27:16 PM
Attachments: [image001.png](#)

Why is it that Freddie Mac escalations are not followed-up on and nothing is done to help the homeowner? When I have escalated a file through Freddie Mac (several) they have done nothing to help the homeowner and nothing to require the servicer to follow MHA and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Public Law No. 111-203, 124 Stat. 1376 (2010).1 Rule 1.5.7thru 1.5.9.

Thank You,

Sally Silva

Mortgage Modification & Foreclosure Prevention Counselor

Housing Solutions for the Southwest

Phone: 970-259-1086 x28

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295 Girard St. Durango, CO 81303



(Submitted Questions)

From: [Ethan Watkins](#)
To: [Duty To Serve Stakeholders](#)
Subject: Questions
Date: Tuesday, December 15, 2015 8:52:44 PM

FHFA

I have a few questions for the director and the FHFA in general. You may use my identity.

1. Going forward what will the relationship between shareholders and the FHFA be?
2. What will be the future of the HAMP and HARP programs be? Would the FHFA be open to the program's even if shareholders elect to keep the programs?
3. Would shareholders have any say in how the housing trust fund money is used? If not how would the FHFA plan on fighting urban blight and sprawl? How will the GSE play a roll redevelopment of broken communities?
4. Would the FHFA ever consider opening more options for construction loans? And the creation of new home loans?
5. The MBS that the GSE produce continue to out perform USTs. would it ever be considered that FnF could buy each other's MBS to meet there capital requirements? Would GNMA MBS ever be considered?
6. How much longer does the FHFA think the GSEs will have the drivitives portfolio will last before they are fully wound down?
7. How long does the FHFA think that it will take for the GSEs to recapitalize?
8. What will the FHFA do to be more transparent about there activisies to prevent the current crisis from happening again?
9. Both GSEs had a lot of lobbying power before the crisis? Will that power return or will the FHFA stop lobbying activity?

Ethan Watkins

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 54 of 106
(Submitted Questions)

From: [Mark Larson](#)
To: [Duty To Serve Stakeholders](#)
Subject: Question for Duty To Serve
Date: Tuesday, December 15, 2015 8:57:40 PM

Thank you for taking my question. Honorable Mr. Watt, will you be releasing Fannie Mae and Freddie Mac from conservatorship? I ask because you have publicly stated that the conservatorship is unsustainable and that the conservatorship "trumped the law" prior to your arrival at your current position. Thank you for taking my question and I greatly appreciate all the hard work you do!

Many thanks,
Mark Larson
Independent Investor

--

"If I should speak then let it be of the grace that is greater than all my sin. Of when justice was served and where mercy wins. Of the kindness of Jesus that draws me in. Oh to tell you my story is to tell of Him." -Big Daddy Weave's "My Story"... look it up.

(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:14:18 PM

As a conservator, one steps into the shoes of the entity to be conserved. The conservator doesn't gain new powers that the entity didn't itself have. How is FHFA agreeing to direct the net worth of the GSE to one shareholder at the exclusion of all other share holders?

(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:17:37 PM

The GSE were solvent and completely owned by the existing shareholders upon entering conservatorship by consent because none of the other conditions provided for in HERA were met. How does FHFA interpret giving away 79.9% or especially 100% of my assets as "conserving"?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 57 of 106
(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:18:43 PM

Do you believe more people will go to jail due to their involvement in Fanniegate, or from Watergate?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 58 of 106
(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:19:35 PM

The FHFA seems to be ignoring the 5th amendment. Is anyone there worried about the 2nd amendment?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 59 of 106
(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:20:18 PM

Old people are often put into conservatorships. Would you treat your grandmother this way?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 60 of 106
(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:22:46 PM

The GSEs didn't need help. The government used the GSE as a backdoor bailout of the banks. Even if the GSEs needed capital, they could have obtained it for much better terms than 10% and 79.9% warrants. How does accepting these terms from UST demonstrate that the FHFA was performing their fiduciary duty to the shareholders and was acting independently of institutions?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 61 of 106
(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:25:03 PM

The government keep referring the Fannie and Freddie as Government Sponsored Enterprises. Yet, the networth of the GSE into the UST to support Obama's social programs without congressional appropriation. How is this legal?

(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:28:00 PM

The member banks of the FED get a maximum fixed return on investment of 6%. All the rest of the FED's income flows to the UST. The UST is essentially the common shareholder of the FED for the purpose of earnings. The UST and FHFA directed the GSEs to sell their MBS and the FED to buy them up. The UST is now getting all the income from the MBS instead of the original owners, the shareholders, me. How is this not a 5th amendment taking?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 63 of 106
(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:30:12 PM

Congress passed a law, HERA, that directs FHFAs behavior. Government branches have not authority to act other than that authority bestowed by congress. How does the FHFA defend not following HERA while waiting for congress to decide on something other path?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 64 of 106
(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:32:01 PM

How would you like to be put into a conservatorship as implemented by the FHFA?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 65 of 106
(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:33:51 PM

When I read the government's defense, "Congress wrote a law that eliminates the function of the judicial branch", I bought lots of shares. Have you read the defense of your actions?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 66 of 106
(Submitted Questions)

From: [Dan Wheeler](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Tuesday, December 15, 2015 10:35:27 PM

Was the NWS primarily implemented to fund the government during the sequester so that Obama wouldn't have to cut spending and required by law when congress decides to spend less?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 67 of 106
(Submitted Questions)

From: [Michael Carroll](#)
To: [Duty To Serve Stakeholders](#)
Subject: Question
Date: Thursday, December 17, 2015 1:47:57 PM

Could you explain the difference between the current definition of rural (metro/nonmetro) under which the GSEs operate with the proposed Rural Market definition? Have you done mapping to compare the two? Western states contain very large counties which contain an city/urban area but also large areas of rural communities. Under the current metro/ nonmetro definition, the entire Central San Joaquin Valley (a very large agricultural producer) is considered metro. The Rural Market definition should account for the rural parts of large counties.

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(Submitted Questions)

From: upstreamdancer@gmail.com on behalf of [Loni Gray](#)
To: [Duty To Serve Stakeholders](#)
Subject: QUESTIONS: How can FHFA's Proposed Rule make the permanent subsidy offered by CLTs more attractive to Institutional Lenders? What credits might incentivize Enterprises to develop products and the advantages of shared sheltering arrangements
Date: Thursday, December 17, 2015 4:45:01 PM
Attachments: [ZOdwellings email logo 1 - 75.png](#)
[image.png](#)
[image.png](#)

- QUESTION: What Duty to Serve credits can FHFA offer to Enterprises to include the development of loan products, more flexible underwriting guidelines, and other innovations that explore fully the potential of ground leases stewarded by CLT's in their Underserved Markets Plan? What incentives can FHFA offer Enterprises for their outreach to CLT's?
- QUESTION: What credits might incentivize the development of loan products, more flexible underwriting guidelines, and other innovations that explore fully the potential of

Comment

The proposed rule considers shared equity programs together with ground leases and the permanent subsidy provided by community land trusts (CLTs). Doing so misses an important distinction. I would propose that the rule be amended to separate the two, and further, to explore the unique advantages of the CLT model in its own right.

See chart example comparing the cost and outcome of the two forms. They're VERY different: (from Rick Jacobus and Ryan Sherriff's **Balancing Durable Affordability and Wealth Creation**.p.7-9 in: 2009-Balancing-Durable-Affordability-and-Wealth-Creation.pdf)

Note the cost of the same residence after 28 years, requiring a growing public subsidy to maintain affordability. Consider how much farther public dollars go using the CLT model and a subsidy only once.

(Submitted Questions)

TABLE 1 Performance of Alternative Subsidies Over Time		
Initial Sale	Homebuyer Loan (No Interest)	CLT Model (AMI Index)
Initial market value	\$250,000	\$250,000
Subsidy	50,000	50,000
Initial sale price	250,000	200,000
Resale in Year 7		
Sale price	375,000	245,000
Repay first mortgage	(174,051)	(174,051)
Repay public subsidy	(50,000)	0
Sales costs (6%)	(22,500)	(14,700)
Seller's net proceeds	128,449	56,249
Affordable price to next buyer	245,000	245,000
Recaptured subsidy	50,000	0
Additional subsidy required	80,000	0
Total subsidy for next buyer	130,000	0
Resale in Year 14		
Sale price	565,000	303,000
Additional subsidy required	132,000	0
Resale in Year 21		
Sale price	850,000	372,000
Additional subsidy required	216,000	0
Resale in Year 28		
Sale price	1,278,000	458,000
Additional subsidy required	342,000	0
Total subsidy invested over 30 years for 5 families	\$820,000	\$50,000

Note: Data assume 6 percent annual home price inflation, 3 percent annual income inflation, and stable interest rates.

Source: Jacobus and Lubell (2007)

"The first homeowner's net proceeds following the sale are greatest under the loan program. However, the shared equity program still provides the family with an opportunity to walk away with assets of \$56,000 after only seven years. This represents an annual return of 21 %, when assuming an initial investment of approximately \$15,000 (3 % down and 3 % closing costs).

From the public's perspective, there is a fiscally prudent rationale for limiting the amount of equity the homeowner may remove from the property at the time of resale. Over a thirty-year period, a total public investment of \$820,000 would be needed to ensure the continued affordability of this one home if assistance were provided in the form of homebuyer loans with no shared appreciation or interest component. Under the shared equity approach however, the same house could serve the same number of homebuyers over a period of 30 years at the same targeted level of income for a total municipal investment of only \$50,000."

Loni

Loni Gray

Collaborative Living Advisor, Designer 

(Submitted Questions)



ZOdwellingssm encourages collaborative housing design excellence to create diverse, healthy housing opportunity for all citizens.

ZOdwellings.com (under construction), www.linkedin.com/in/lonigray.

*A **ZO dwelling** One or more buildings that by their design, arrangement and relationships knit together the social fabric of the residents. Together they share chosen essential daily living areas, optional income-generating functions, and the collective's affinity spaces, while housing distinct privacy realms for each household.*

*To **ZO dwell** is to choose to live with others in a place designed for successful, satisfying cohabitation, that also nurtures a private, intentional life. To slow dwell.*

(Submitted Questions)

From: [Ellen Lurie Hoffman](#)
To: [Duty To Serve Stakeholders](#)
Subject: question for Duty to Serve webinar
Date: Thursday, December 17, 2015 5:40:47 PM

The National Housing Trust submits the following question for FHFA's December 22 webinar on the proposed Duty to Serve rule:

FHFA's proposed Duty to Serve rule states,

“One way to preserve affordability is to give credit for newly constructed rental units where long-term affordability is required by regulatory agreements, such as for at least 15 years, the standard affordability retention period for rental housing. In addition, some of the specifically enumerated programs under the affordable housing preservation market in the Safety and Soundness Act involve new construction, arguably indicating congressional intent that support for new construction be included under this market, although Congress may have intended only that support for existing properties under these programs at the point of their expiring regulatory agreements be included in this market. FHFA specifically requests comments on whether the term “preservation” should be interpreted to allow Duty to Serve credit for Enterprise support for both the purchase of permanent construction take-out loans on rental properties with long-term affordability regulatory agreements and the purchase of refinanced mortgages on existing rental properties with long-term affordability regulatory agreements.” (pp. 53-54)

Notwithstanding the critical need for additional rental housing, we do not understand how new construction can be classified as part of preservation for the purpose of the Duty to Serve or any other purpose. We ask FHFA to clarify this point and to reconsider this proposal.

Thank you for considering this question.

Ellen Lurie Hoffman

Federal Policy Director | National Housing Trust
202-333-8931 x 130 | eluriehoffman@nhtinc.org

[WEBSITE](#) | [TWITTER](#) | [NEWSLETTER](#)

Winner of the 2014 MacArthur Award for Creative & Effective Institutions

(Submitted Questions)

From: upstreamdancer@gmail.com on behalf of [Loni Gray](#)
To: [Duty To Serve Stakeholders](#)
Subject: QUESTION: Can FHFA broaden Enterprise incentive credits and purchase markets to include more types of innovative multi-family housing and small secondary ADU financing?
Date: Friday, December 18, 2015 12:42:18 AM
Attachments: [ZOdwellings email logo 1_75.png](#)

Context

We have moved into a sharing, cooperative business and collaborative living economy. There are many examples of multiple households where several kinds of household family configurations share one dwelling. To the degree they can finance remodeling or construction, they set up privacy and common areas, redesigning kitchens and spaces to transition well between the two.

Loans for such Tenants-in-Common or Cooperative owners are difficult to find, and are underwritten as riskier even when they are safer loans for both borrowers and lenders. Multiple payors can make these loans less risky for lenders. During the Great Recession these loans fared 100 times better than the supposedly less risky conventional SFR first mortgages. Yet, they are still underwritten as riskier, and if offered at all, done so with less advantageous terms, fees and rates.

- **QUESTION: Can FHFA broaden incentive credits, and resale markets to encourage affordable collaborative-family housing and small ADU (accessory dwelling unit) financing activities that use our limited land and structures more efficiently?**
- **QUESTION: Might FHFA add a guarantee tool for Enterprises to use that offsets perceived lender risk? This would encourage lenders to make these loans (primary residence remodels, ADU construction on existing SFR lots, and new collaborative construction), creating a body of evidence as to their real risk. It would let this affordable housing model evolve.**

Collaborative living advantages:

- Shared living makes home purchase more affordable, even in expensive urban markets.
- It offers a safer, less expensive path into ownership for many who might not qualify alone. It opens a door to asset building.
- Allows young professionals interdependent co.living as well as aging-in-place and independent living as citizens age.
- It creates a lighter financial burden per family, while giving the lender more payors on the loan.
- Shared living offers a lighter ecological footprint as well. It moves families beyond wasteful SFR's that use 4,000+ sf lots for each nuclear household.
- When it happens in existing structures through remodel, it can be a counter to displacement as an area gentrifies, allowing the sharing households to stay and enjoy the community improvements. The density contributes to local economic health.

Enterprises are uniquely positioned to encourage this exploration with guarantee tools, credits, and required inclusion in their plans.

Thank you,
Loni

(Submitted Questions)

Loni Gray

Collaborative Living Advisor, Designer 



ZOdwellings[™] encourages collaborative housing design excellence to create diverse, healthy housing opportunity for all citizens.

[ZOdwellings.com](#) *(under construction)*, www.linkedin.com/in/lonigray.

*A **ZO dwelling** One or more buildings that by their design, arrangement and relationships knit together the social fabric of the residents. Together they share chosen essential daily living areas, optional income-generating functions, and the collective's affinity spaces, while housing distinct privacy realms for each household. To **ZO dwell** is to choose to live with others in a place designed for successful, satisfying cohabitation, that also nurtures a private, intentional life. To *slow dwell*.*

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 74 of 106
(Submitted Questions)

From: [Nick Jerkovich](#)
To: [Duty To Serve Stakeholders](#)
Subject: Questions
Date: Friday, December 18, 2015 12:53:15 AM

If FHFA, Treasury and some unnamed Senators want to protect the taxpayers so badly, why don't we allow the GSE's to retain their earnings so they build a cushion to prevent another taxpayer bailout?

Since the GSE's have paid back 50+ billion over the amount they were loan, why does the treasury keep taking their profits and not put them toward affordable housing for low income families?

Since several reform measures have been implemented why does FHFA continue to keep these fundamental companies in conservatorship? Isn't the goal of it to return to safe and sound condition?

We need to let these companies retain a capital buffer and prevent another taxpayer bailout. There was 50+ billion taken that could've been retained. Let them retain capital and continue the reform process.

Thank you,

Nick Jerkovich
Stakeholder, Shareholder in the GSE's

(Submitted Questions)

From: mmarkweiss@aol.com
To: [Duty To Serve Stakeholders](#)
Subject: Duty to Serve Webinar Question
Date: Friday, December 18, 2015 7:58:35 AM

MHARR “DUTY TO SERVE” WEBINAR QUESTION:

Given that the mission of Fannie Mae and Freddie Mac, according to FHFA, is to “expand opportunities for home ownership and affordable rental housing,” particularly for low, lower and moderate-income Americans; and

Given that according to U.S. Census Bureau information and HUD studies, manufactured homes are the nation’s most affordable non-subsidized housing; and

Given that the cost of an average manufactured home (less land) according to U.S. Census Bureau statistics in 2014 was \$65,300, while the cost of an average site-built home was approximately \$350,000; and

Given that according to statistics that FHFA itself cites, chattel financed/titled manufactured homes constitute the vast majority of new manufactured homes sold today – comprising 78% of new manufactured homes sited in 2013, providing low, lower and moderate-income buyers with the most affordable access to the industry’s most affordable homes; and

Given that Fannie Mae and Freddie Mac have not previously purchased manufactured home chattel loans, leaving them without first-hand empirical data concerning the performance of such loans, particularly following implementation of the installation standards and dispute resolution programs mandated by the Manufactured Housing Improvement Act of 2000; and

Given that while manufactured housing loans had no role in the financial crisis leading to the insolvency and FHFA conservatorship of the GSEs, FHFA, in 2014, relaxed lending standards for the type of loans that did cause the housing crisis, but now seeks to exclude chattel loans for much lower-cost manufactured homes from this proposed rule:

1. How does FHFA justify a “Duty to Serve” proposal that on its face would “serve” no more – and most likely significantly less than -- 22% of the manufactured housing market?
2. How does FHFA maintain that loss severities for chattel-financed manufactured homes would be greater than much higher-cost site-built homes? And,
3. How does FHFA conclude that loans providing the most affordable access to the nation’s most affordable homes have: (i) only “some benefits” for borrowers who would otherwise be excluded altogether from the housing market; and (ii) that those benefits – i.e., the ability to purchase and live in a home that the purchaser can truly afford – are “outweighed” by “disadvantages” to the GSEs, which became insolvent peddling subprime loans to borrowers who could not afford them, and still continue to underwrite loans that purchasers cannot afford, leading Congress, in January 2015, to dub FHFA “the nation’s largest subprime lender,” with “historically prudent underwriting standards ... yet again being thrown out the window.”

(Submitted Questions)

Mark Weiss

President & CEO

Manufactured Housing Association for Regulatory Reform (MHARR)

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FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 77 of 106
(Submitted Questions)

From: [Michael Hites](#)
To: [Duty To Serve Stakeholders](#)
Subject: [CONTENT] FHFA duty to serve and protect stakeholders
Date: Friday, December 18, 2015 8:02:19 AM

1. How is letting the treasury enact the third sweep amendment in perpetuity serving or protecting the stakeholders?
2. How is a Senator on the banking and finance committee getting away with telling America on national TV to short the GSE stock?

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 78 of 106
(Submitted Questions)

From: [Scott Wilbur](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Friday, December 18, 2015 10:33:33 AM

We know that the \$180 billion was taken off TBTF banks books and put on FnF balance sheet-- which thus caused them to be insolvent. Larry summers spells it out 55-56 minutes in--BY STEALTH!

<https://www.youtube.com/watch?v=rpb1i9rL99I>



26. Learning from and Responding to Financial Crisis II

...

www.youtube.com

Financial Markets (ECON 252) In the second of his two lectures in honor of Arthur Okun, Professor Summers points out that real interest rates have been very ...

FnF had , I think \$60 Billion , in liquidity at the time and could have weathered any turmoil that faced them. The shareholders have been decimated as a result

When and how soon will we be restored? The balance sheet is currently \$10 Trillion

<http://www.otcmartets.com/edgar/GetFilingPdf?FilingID=11004915>

How can you justify a PPS of \$1.68-----It should be :

PPS shd be \$234.00 \$16bill/1.16X P/E 17===\$234.00

\$16Bill Rev/1.16 bill shares X 17 P/E= \$234.00 @SpeakerBoehner
@TheJusticeDept

Of course this doesn't take into consideration any subsequent PENALTIES \$46/share....perhaps after a 5//1 forward split--warrants are invalid the biggest variable is what the P/E should be

P/E is variable---floating target===could be a lot higher--like 58

(Submitted Questions)

p/e==58...thus with my previous estimate PPS of \$234/\$3(EPS)=58

Net income/outstanding shares * P/E multiple==PPS

thus 16/1.16*58===PPS of \$799.00

PPS shd be \$799.00 \$16bill/1.16X P/E58===\$799.00

\$16Bill Rev/1.16 bill

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 80 of 106
(Submitted Questions)

From: [Larry Mathews](#)
To: [Duty To Serve Stakeholders](#)
Cc: [Spencer Roane](#)
Subject: Questions
Date: Friday, December 18, 2015 11:23:06 AM

Our bank regularly extends credit to community owners for the purchase of the community and purchase of new homes for the community. I have several questions:

- Why not allow banks(non DUS lender) to originate loans for their portfolio(not to sell) and receive the FNMA guarantee just like the investors that purchase the loans? Banks already originate and service SBA and USDA loans and FNMA mortgages? This would allow smaller communities a better chance of receiving financing from local community banks in rural areas.
- If the changes include the right for home owners to try to sell their home in the park, what if the potential purchaser does not meet the community requirements to lease the pad? How would that conflict be resolved?
- If the proposed changes requires a community to notify the residents of their desire to sell the community, what prevents tenants from moving during the notice period because they like the current owner? If enough vacate during this time, the value of the community to the potential purchaser and financing source would be reduced.
- Except in unusual situations, how would the tenants form a condo association, raise money to purchase the community, and manage the association?

Thanks for considering these questions. I think the goals you have established to increase lower income housing alternatives and the availability of financing in rural areas are very worthy goals.

Larry R. Mathews
President and CEO
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www.americancommercebank.com



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FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 82 of 106
(Submitted Questions)

From: [Audrey Johnston](#)
To: [Duty To Serve Stakeholders](#)
Subject: Question - Duty to Serve Rule
Date: Friday, December 18, 2015 12:20:40 PM
Attachments: [FHFA Proposed Rule Questions \(12 18\).docx](#)

Good Afternoon,

Please see the attached questions from the National Rural Housing Coalition in regards to the FHFA Duty to Serve Rule and webinar on Tuesday.

Thank you for your attention to this matter.

Sincerely,

Audrey Johnston
Rapoza Associates
1331 G Street NW, 10th Floor
Washington, DC 20005
Office: (202) 393-5225
Mobile: (832) 465-0787
Email: audrey@rapoza.org

NATIONAL RURAL HOUSING COALITION

1331 G Street, N.W., 10th Floor, Washington, DC 20005 • (202) 393-5225 • fax (202) 393-3034 • <http://ruralhousingcoalition.org/>

Questions on the FHFA Proposed Rule

December 18, 2015

Rural Definition:

- Our interpretation of the proposed definition for “rural areas” is that it includes (1) census tracts outside of an MSA and (2) areas that are within an MSA but outside of a UA or UC, which means areas within MSA’s that have populations of up to 2,500 are included in definition of rural area.¹ Is that correct? Findings from the Economic Research Service show that more than 50 percent of all rural individuals and families live within Metropolitan Statistical Areas. If our interpretation of the proposed definition for rural areas is correct, what share of that population would be targeted by the Enterprises strategic plan for Rural Housing?
- While Middle Appalachia, the Lower Mississippi Delta, and the Colonias are “high-needs rural regions,” there are many other areas of the country that are also “high needs.” A county is “persistently poor” if 20 percent or more of its population was living in poverty over the last 30 years. The Economic Research Service found that there are currently 353 persistently poor counties in the country. These counties are located in the south, Appalachia, southern Mountain West, Texas along the U.S.-Mexican Border, parts of the Midwest, and central Alaska.² Should the definition of “high-needs rural regions” be expanded to include rural persistent poverty counties?

Preservation:

- There is a maturing mortgage crisis for section 515 financed properties. USDA has released a list of properties with mortgages expected to mature by 2019. Data on this list shows that 273 properties across the country are expected to pay off their 515 or 514 mortgages (only 15 of these properties are Section 514) between now and December 2019, which translates to 7,160 rental units. It is estimated that starting in 2019 the number of maturing Rural Development (RD) multifamily loans expected to mature per year will jump to 1,000. Further, by 2023, some 330,000 out of 440,000 RD multifamily units will be paid off, and will require refinancing to maintain their affordability.³ Additionally, many of these properties are older developments and in need of significant rehabilitation, which will also require additional financing. There is a potential for a great number of tenants living in these property to lose their housing. Would refinancing these properties to maintain their affordability status fall within the scope of preservation activities for affordable rental housing?

¹ Our interpretation is that areas within MSA’s with populations greater than 2,500 would be excluded from the definition of “rural area.”

² See the ERS Map of Persistent Poverty Counties at: <http://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/geography-of-poverty.aspx>

³ Richard Price, *Rural Housing Addresses Expiring Mortgages*, Affordable Housing Blog, Nixon Peabody (May 5, 2011)

<http://web20.nixonpeabody.com/ahrc/Lists/Posts/Post.aspx?ID=709&Title=Rural+Housing+Addresses+Expiring+Mortgages>.

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 84 of 106
(Submitted Questions)

From: [Barnes, Kaci](#)
To: [Duty To Serve Stakeholders](#)
Subject: Questions
Date: Friday, December 18, 2015 12:21:12 PM
Attachments: [DTS webcast questions final 121815.docx](#)

Hello,

Please see attached questions proposed by Fannie Mae.

Thank you

Kaci Barnes
Fannie Mae - Regulatory Affairs
kaci_barnes@fanniemae.com
202.752.4046

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Webinar Questions Proposed by Fannie Mae

December 18, 2015

Submitted to: DutyToServeStakeholders@FHFA.gov.

1. In the proposed rule's discussion of the investment and grants assessment factor it is noted that while in conservatorship the GSEs must refrain from making grants. However, investments are authorized if they are consistent with the GSE's respective charter act. Could you provide some examples of what you might see as acceptable (non- Low Income Housing Tax Credit) investments under the proposed rule - particularly with regard to high-needs rural populations or high-needs regions?
2. If a GSE desires to amend its Underserved Markets Plan to, for example, reflect changing market conditions, is it anticipated that another public comment period will be required?
3. If a GSE determines that its activities under an Underserved Markets Plan can have the most impact by focusing significant resources on a smaller number of Core Activities versus spreading its resources out for the sole purpose of meeting 20 Core Activities, may it do so?
4. The proposed rule leaves the timing of the completion of the first Underserved Markets Plan to be determined by FHFA. Could you share with us any thoughts you might have on what this timing will be once a final rule is issued?
5. The exceptions to the GSEs' multifamily financing caps have, in part, been based on the eligibility of the properties financed for housing goals treatment (e.g., the financing of multifamily very low income units and 5-50 low income units are exempt from the cap). Will future exceptions take into consideration the eligibility of transactions for Duty to Serve credit?
6. Will FHFA allow the GSEs to use their retained portfolio to meet their Underserved Markets Plan?
7. In a number of instances in the proposed rule a question has been raised as to whether a certain activity should be identified as a Regulatory Activity. Could you elaborate on the implications of an activity being deemed a Regulatory Activity versus not being deemed a Regulatory Activity? Will new Regulatory Activities be identified in the future?

Webinar Questions Proposed by Fannie Mae

December 18, 2015

Page 2

8. The proposed rule states that GSE proposed additional activities may include those that support state, federal and/or local programs that are not identified in the proposed rule. Can you provide some additional guidance as to the minimum requirements that one of these state, federal or local programs would have to meet in order to be considered an appropriate additional activity?
9. The proposed rule provides Duty to Serve credit for activities that serve high needs rural areas and populations. Can you provide some guidance around the methodology you used to identify the three high needs areas that are listed in the proposed rule, and if you would consider other areas to be included in the future?
10. The proposed rule makes numerous references to “residential economic diversity” or mixed income development. Can FHFA provide more guidance as to what would qualify under this term and what would not?
11. How often will population definitions change? For example, HUD DDAs (proposed definition for high-opportunity areas) change annually. How should Enterprise 3-year plans incorporate these annual changes? Is it assumed that all defined targets will change annually, and plans should flexibly accommodate these changes? Will FHFA provide census tract level identification tables for each target population annually?
12. Regarding double-counting across assessment factors: the proposed rule states that one activity may *not* be counted multiple times for one market. Does this mean that, for example, if an enhanced manufactured housing product is developed after outreach to lenders and other market participants, and it is managed by a non-profit in which we invested to build capacity, and we acquire loans from this product, then we must *choose* which assessment factor it counts toward (outreach, loan product, loan purchase, investments & grants)? Or, if we have an outreach event related to manufactured housing and based on feedback we receive three products are developed, do we get to count *one* outreach event and *three* products?
13. May seniors housing count toward stretch/extra credit activities?
14. Meeting the requirements of the proposed Duty to Serve rule is likely to require significant expenditures by the GSEs for the creation and implementation of new tracking systems, outreach efforts such as travel and conferences, investments in transactions and services, procurement and analysis of data, human capital, etc. This is in addition to the reduction in returns often associated with financing affordable housing as is consistent with our mission. As both conservator and regulator can FHFA offer any guidance as to how we should best budget resources for these activities?

We appreciate the opportunity to submit these questions.

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 87 of 106
(Submitted Questions)

From: [Steve Lefler](#)
To: [Duty To Serve Stakeholders](#)
Subject: Question submittal
Date: Friday, December 18, 2015 12:25:32 PM

Manufactured housing (Chattel)

Question:

Given no involvement by Fannie or Freddie in the Chattel Space. Currently, Berkshire Hathaway is the primary lender source in this industry.

Would Fannie and Freddie consider instituting new "Chattel" lending underwriting practices if local municipalities agree to tie their Property tax provisions to the lot location within a Land Lease community?

NOTE:

90% of all Land Lease communities have existing mobile homes placed onto the same lot location (never moved and sold in place) as when the community was first built years ago.

Best Regards,

Steven Lefler

Vice President

Modular Lifestyles, Inc.

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(Submitted Questions)

From: upstreamdancer@gmail.com on behalf of [Loni Gray](#)
To: [Duty To Serve Stakeholders](#)
Subject: QUESTION: Can you layer your tools?
Date: Friday, December 18, 2015 12:35:45 PM
Attachments: [ZOdwelling's email logo 1_75.png](#)

QUESTION:

Is it possible to use a 2-tier ed system, requiring certain activities be addressed in the underserved markets plan s, but also adding credit or extra credit when FHFA wants a longer commitment, or a deeper response to the underserved market? Layering these tools together would give the Enterprises great flexibility to ramp up lender response as our market changes. So for example, might FHFA require some address of lending products in the 5-50 unit range structure. But then, if economic diversity is achieved using a group living arrangement in them as well, extra credit can also be earned.

Loni

Loni Gray

Collaborative Living Advisor, Designer 



ZOdwellingssm encourages collaborative housing design excellence to create diverse, healthy housing opportunity for all citizens.

[ZOdwelling's.com](#) (under construction), www.linkedin.com/in/lonigray.

*A **ZO dwelling** One or more buildings that by their design, arrangement and relationships knit together the social fabric of the residents. Together they share chosen essential daily living areas, optional income-generating functions, and the collective's affinity spaces, while housing distinct privacy realms for each household.
To **ZO dwell** is to choose to live with others in a place designed for successful, satisfying cohabitation, that also nurtures a private, intentional life. To slow dwell.*

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 89 of 106
(Submitted Questions)

From: [Robert Strupp](#)
To: [Duty To Serve Stakeholders](#)
Subject: Duty to Serve
Date: Friday, December 18, 2015 12:54:56 PM

Would giving the GSEs "extra credit" for activities that increase economic diversity allow for a ban on discrimination against Section 8 recipients?

Robert J. Strupp
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FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 90 of 106
(Submitted Questions)

From: [Bartlett, Paul - RD, Kearney, NE](#)
To: [Duty To Serve Stakeholders](#)
Cc: [Moul, Maxine - RD, Lincoln, NE](#); [Buethe, Mike - RD, Lincoln, NE](#)
Subject: Question
Date: Friday, December 18, 2015 1:09:46 PM

Good Afternoon,

I have two questions.

1. Regarding Affordable Housing Preservation – Would it be appropriate to also include affordable housing funded through the USDA Section 538 Guaranteed Rural Rental Housing Program in addition to the USDA Section 515 Rural rental Housing Program?
2. Regarding Rural Housing – Would Duty to Serve credit be available for any activities that include collaboration with the USDA Section 502 Direct or Guaranteed Single Family Housing Loan Programs?

Thanks,

Paul J. Bartlett
Multi-Family Housing Program Director
Rural Development
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<http://www.rd.usda.gov/ne>

[USDA Rural Development Fiscal Year 2014 Nebraska Progress Report](#)

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 91 of 106
(Submitted Questions)

From: [Emily Thaden](#)
To: [Duty To Serve Stakeholders](#)
Subject: question [WARNING: SPF validation failed]
Date: Friday, December 18, 2015 2:38:12 PM

Question for FHFA's Webinar on the Duty-to-Serve Proposed Rule:

Shared equity homeownership has been included as a regulatory activity under "affordable housing preservation" in the proposed rule. Because shared equity homes remain affordable over sale after sale (despite whether surrounding homes increase in value), these homeownership programs tend to be very effective at promoting economic integration and inclusive neighborhoods over time. Economic integration was noted as an additional activity that the GSEs could receive credit for. Can you explain a bit more about how credit will be assessed and whether the Enterprises can benefit from activities that meet multiple objectives/types of activities?

Thank you,

EMILY THADEN

Research & Policy Manager

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FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 92 of 106
(Submitted Questions)

From: [Lesli Gooch](#)
To: [Duty To Serve Stakeholders](#)
Cc: [Lesli Gooch](#)
Subject: FHFA Duty to Serve Webinar: Questions
Date: Friday, December 18, 2015 3:24:39 PM

- 1.) How does the FHFA envision the process for considering and implementing a chattel-loan pilot program?
- 2.) Will FHFA consider changes to the Fannie Mae Guide and Freddie Mac Selling Guide Chapters on manufactured homes titled as real estate to:
 - allow financing of property damage insurance?
 - liberalize maximum LTV calculation criteria?
 - allow financing of homes without data plates and/or HUD tags?
- 3.) Will the FHFA issue a new proposal after receiving responses to questions contained in the current proposal?
- 4.) The GSEs have not done chattel loans since the conservatorship and the proposed rule acknowledges there is a lack of good data within the GSEs on chattel loan performance. What would be helpful from FHFA's point of view in dealing with this issue, in gaining more comfort about loan performance?



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(Submitted Questions)

From: [John Van Alst](#)
To: [Duty To Serve Stakeholders](#)
Subject: questions for the DTS webinar
Date: Friday, December 18, 2015 3:25:47 PM

1. Is it correct that DTS credit will be available for Manufactured Homes that are titled as real estate under state law, regardless of whether the loan is also secured by land and regardless of whether the home is located on land that the homeowner owns? (In some states, and under the model law referenced on p. 31 of the proposal, certain homes on leased land can be titled real estate).
2. With respect to blanket loans for Manufactured Home Communities (MHC), we think that the interests of homeowners will be advanced most by duty to serve requirements that result in investment in loans for MHCs owned by residents, non-profits, or governmental entities, and in loans to MHCs that are required by the proposed rule to provide the specified pad lease protections for the homeowners (i.e. under the proposed rule the requirements for MHCs with more than 150 sites). But the proposed rule does not require the GSEs to invest in these two types of blanket loans - conceivably, the GSEs could meet this part of the duty to serve simply by investing in blanket loans to investor-owned MHCs that have fewer than 150 sites and lack the important resident protections. Has FHFA done any analysis of whether there is evidence that smaller site numbers, below 150, is indicative of sustainable approaches that serve homeowners even though homeowner protections are not provided? If not, why is the 150 site number used?

Thank you,

John

John W. Van Alst
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FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 94 of 106
(Submitted Questions)

From: [Greg Zagorski](#)
To: [Duty To Serve Stakeholders](#)
Subject: Question [WARNING: SPF validation failed]
Date: Friday, December 18, 2015 3:55:46 PM
Attachments: [NCSHA Questions on Duty to Serve Rule.docx](#)

Attached please find the National Council of State Housing Agencies' questions for the Duty to Serve webinar.

Thank you,

-Greg

Greg Zagorski | *Legislative and Policy Associate*
National Council of State Housing Agencies
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P: 202-624-7730 | F: 202-624-5899
gzagorski@ncsha.org | www.ncsha.org



NCSHA Questions to FHFA on Proposed Duty to Serve Rule for Fannie Mae and Freddie Mac

- 1) Section 1.282.4(h) of the proposed rule would allow Fannie Mae and Freddie Mac to receive loan purchase credit for purchasing certain mortgage revenue bonds (MRBs) issued by state and local housing finance agencies (HFAs). Will Fannie Mae and Freddie Mac also be able to receive credit for the purchase of multifamily housing bonds issued HFAs, or will the credit only apply to the purchase of single-family MRBs?

- 2) Will the loan purchase credit for housing bonds issued by HFAs only apply to tax-exempt bonds, or can Fannie Mae and Freddie Mac receive credit for purchasing taxable bonds issued by HFAs to fund affordable housing opportunities?

- 3) In order to receive credit for purchasing HFA housing bonds, Fannie Mae and Freddie Mac will have to determine that the mortgages or mortgage-backed securities (MBS) serve the income groups targeted by the duty to serve rule (very low-, low-, and moderate-income borrowers). How will this restriction be applied? Will Fannie Mae and Freddie Mac have to certify that each individual loan in a bond or security assists very low-, low-, or moderate-income families? Will it be sufficient for Fannie Mae and Freddie Mac to ensure that the loans underlying the bond meet the IRS requirements for MRBs, or the eligibility standards of the HFA issuing the bond? While HFAs' loan eligibility standards target low- and moderate-income borrowers, they sometimes also support loans for borrowers who might earn more than the low- and moderate-income limits.

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 96 of 106
(Submitted Questions)

From: [Shiv Rawal](#)
To: [Duty To Serve Stakeholders](#)
Subject: Question
Date: Friday, December 18, 2015 3:57:38 PM

Hello,

Below are my questions for the FHFA Webinar on December 22, 2015.

- In its 2010 proposed rule, FHFA decided against the 'rural' definition in the current rule and went with the USDA definition from the Housing Act of 1949. Could you describe the research or input that influenced this shift, and is there any remaining concern that exurban or suburban areas that may have the same challenges as rural areas are included in the new definition?
- Section 1282.35(c) of the proposed rule would provide DTS credit for Enterprise support of financing for high-needs rural regions and high-needs rural populations. Would Enterprise activity for high-needs rural populations need to also be in these high-needs rural regions to qualify for credit under this section of the proposed rule?

Many thanks,

Shiv Rawal
Research Assistant | Housing Policy
Center for American Progress
(202) 741-6276

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 97 of 106
(Submitted Questions)

From: [Lian, Caroline Sioe](#)
To: [Duty To Serve Stakeholders](#)
Cc: [Epstein, Ann](#); [Dawson, Michael L](#); [Chambliss, Wendell J](#); [Gould, Dana](#); [Aber, Corey](#)
Subject: Questions
Date: Friday, December 18, 2015 3:59:28 PM
Attachments: [image001.png](#)

- 1.—“Additional Activities” are specified in the plan, how do you envision “scoring” this activity and how do we work together to ensure we are aligned on what constitutes “additional activities credit”?
2. We understand the intent is to foster competitive market dynamics between the GSEs to benefit the market. However, there may be opportunities that require collaboration to create capacity and liquidity in the underserved markets. How would FHFA approach these types of opportunities?
3. Please provide additional guidance on what FHFA deems an investment vs a grant.
4. Regarding Farmworker Housing
 - a. The proposed regulation cites migrant and seasonal farmworkers, but does not cite annual farmworkers. Through our research we have observed that states with crop variety and long harvest periods across crops aim to provide more annually available housing to support farmworkers who spend the majority of their time in the area.
 - b. How has FHFA considered the needs of annual or longer-term seasonal farmworkers in its research for the proposed regulation?
5. Regarding SBL Pools with Small and Community Lenders
 - a. Question: Banks as small as FHFA described can be served in various ways, such as through pool purchase, as suggested in the proposed regulation, or through retail purchases. (1) We would like to understand why FHFA has limited Duty to Serve to pool purchases from such lenders. (2) Would FHFA consider larger banks?

Caroline Lian

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(Submitted Questions)

From: [Spencer Roane](#)
To: [Duty To Serve Stakeholders](#)
Subject: RE: FHFA Duty to Serve Webinar
Date: Friday, December 18, 2015 3:59:55 PM

Trying to keep the DUS lenders involved in the process of originating smaller community/park loans is a mistake. They are an inefficient middle man, have little experience with, or knowledge of, the asset class, and no interest in originating smaller loans – hence borrowers and smaller lenders are locked out of Fannie & Freddie guarantees.

“Fixes” like resident’s right to sell homes, residents’ first right of refusal, and one-year leases are overly simplistic “improvements”. Community owners must be allowed to screen prospective residents (buyers of homes). What effect have such rights of refusal had on sales prices in areas where now required? Most residents of communities couldn’t buy their lots and couldn’t manage an HOA. Even when residents can afford to purchase lots in LLCs, some higher density resident-owned communities became significant burdens to local municipalities tasked with enforcing CC&Rs.

Please share the data supporting the claim that real estate manufactured home loans perform better than chattel loans. Were such loans self-fulfilling prophecies, characterized by higher interest rates whose higher payments resulted in higher defaults among less qualified borrowers? Were chattel loans associated with street retailers whose profit margins are much higher than community owners selling comparable homes to fill vacant sites? Were chattel loans originated when mortgage fraud “created” income, downpayments, and credit? My experience over 20+ years is that chattel loans made to borrowers with reasonable DTI ratios and downpayments perform exceptionally well, even among borrowers with lower credit scores.

Manufactured home energy saving incentives like that offered by TVA have been extremely successful in significantly reducing homeowners’ costs, yet most other utilities and EMCs refuse to offer such programs. Default rates on affordable housing would be reduced if loans required such energy saving incentives.

Pre-purchase counseling which emphasizes home ownership and maintenance, budgeting, savings, financial management and planning, credit score improvement, etc. have been effective in reducing loan defaults with other affordable housing loans, but not offered or required in manufactured housing.

The useful life of manufactured homes is 30-40 years. The sum of community site rent and lower-interest loan payments on new manufactured homes amortized over relatively short terms (12-13 years) is often less than rent of comparable apartments. These new functional, attractive, energy-efficient manufactured homes sited in communities are a better form of affordable housing than other governmental-managed rental programs. A major “missing link” is a secondary market for chattel loans.

Spencer Roane
Atlanta, Georgia
678-428-0212

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 99 of 106
(Submitted Questions)

From: [Peter Lawrence](#)
To: [Duty To Serve Stakeholders](#); [Gray, Jim](#)
Cc: [Michael Novogradac](#); [Stacey Stewart](#); [Dan Smith](#)
Subject: Question
Date: Friday, December 18, 2015 4:00:06 PM

We would like to submit

1. If FHFA were to allow the GSEs to become LIHTC equity investors again, does FHFA intend to place any limits on such investments? If so, what limits?
2. If FHFA allows the GSEs to re-enter the LIHTC investing market, would FHFA direct GSEs to increase or decrease investment in response to LIHTC equity pricing?
3. Would FHFA direct the GSEs to structure investments such that they focus in underserved areas like rural and areas outside traditionally high demand CRA assessment areas?
4. How does FHFA intend to institute LIHTC investing policies for GSEs to enhance liquidity and increase the amount of LIHTC housing?

Peter Lawrence

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FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 100 of 106
(Submitted Questions)

From: [Adam Rust](#)
To: [Duty To Serve Stakeholders](#)
Subject: question
Date: Friday, December 18, 2015 4:12:32 PM

I would be interested in if you will extend the duty to serve to any chattel loans not made in association with land, if it was to be the case that they were originated and sold in a way that was compliant with real-property secured mortgage loans? For example, would the application of RESPA-required procedures or other types of consumer protection laws be a basis for adding to the types of manufactured housing that are relevant for duty-to-serve? I believe that the manufactured housing industry is hungry for access to prime credit and might be willing to accept strictures on lending rules in tandem with more securitization opportunities?

--

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FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 101 of 106
(Submitted Questions)

From: [Doug Ryan](#)
To: [Duty To Serve Stakeholders](#)
Subject: Questions
Date: Friday, December 18, 2015 5:50:45 PM

Can FHFA share the data on unit size of the MHCs for the blanket loans that the enterprises have purchased?

Does FHFA have performance and borrower data on the loans that Freddie financed through its home-only program that it had earlier in the 2000s? Is the standardized lease available?

~Doug Ryan

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 102 of 106
(Submitted Questions)

From: [Wayman, Carol](#)
To: [Duty To Serve Stakeholders](#)
Subject: Questions
Date: Saturday, December 19, 2015 10:03:17 PM

1. Why was DTS for manufactured housing limited to residential property loans and not chattel lending?
2. We have a desperate need for NEW affordable rental housing. Why is DTS so focused on preservation and not new construction?

Carol Wayman
Legislative Director
Congressman Keith Ellison (MN-05)
2263 Rayburn House Office Building – new address
Washington, DC 20515
202.225.4755
Carol.wayman@mail.house.gov



From: Duty To Serve Stakeholders [<mailto:DutyToServeStakeholders@fhfa.gov>]
Sent: Thursday, December 17, 2015 7:26 PM
Subject: FHFA Duty to Serve Webinar

Greetings:

The Federal Housing Finance Agency (FHFA) issued a new Duty to Serve proposed rule on December 15th. The Duty to Serve requires Fannie Mae and Freddie Mac to increase their secondary market activities to help very low-, low-, and moderate-income families buy or rent a home. The proposal would require each company to develop a plan to support lending by financial institutions for three types of housing:

- Manufactured housing
- Affordable housing preservation
- Rural housing

Here are links to the [press release](#), the [proposed rule](#), and the [fact sheet](#).

- FHFA will host a webinar on the Duty to Serve proposed rule at 2 p.m. EST, Tuesday, December 22. The webinar is intended to increase public awareness of the proposed rule, summarize its contents, and answer your questions.

FHFA Duty to Serve Proposed Rule Webinar, December 22, 2015 - Page 103 of 106
(Submitted Questions)

- After a summary presentation, FHFA staff will address only questions on the Duty to Serve submitted to FHFA in advance. Please **submit any questions by 4 p.m. EST, Friday, December 18** to: DutyToServeStakeholders@FHFA.gov. Please put “question” in the subject line. Please note that questioners may be identified during the webinar if their questions are selected. All questions, the identities of the questioners, and FHFA’s responses will be included in the public comments record for the proposed rule.
- The webinar will be open to any interested party. Feel free to forward this message to anyone who may be interested in the webinar or Duty to Serve.
- To register for the webinar, please click on the link below.

If you prefer not to receive emails about the Duty to Serve, please email DutyToServeStakeholders@FHFA.gov and put “remove” in the subject line.

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(Speakers and Attendees)

Speakers

Jim Gray, Moderator, FHFA

John Foley, Principal Policy Analyst, FHFA

Bob Witt, Senior Policy Analyst, FHFA

Mike Price, Senior Policy Analyst, FHFA

Chris Tawa, Manager, FHFA

Matt Douglas, Senior Policy Analyst, FHFA

Attendees

Dial In Attendees: 509

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(Invitation)

From: [Eaglin, Kimberly](#)
To: [Duty To Serve Stakeholders](#)
Subject: FW: FHFA Duty to Serve Webinar
Date: Tuesday, December 15, 2015 11:45:35 AM

From: Eaglin, Kimberly
Sent: Tuesday, December 15, 2015 11:03 AM
To: Johnson, Stefanie (Mullin)
Subject: FHFA Duty to Serve Webinar

Greetings:

Today, the Federal Housing Finance Agency (FHFA) issued a new Duty to Serve proposed rule. The Duty to Serve requires Fannie Mae and Freddie Mac to increase their secondary market activities to help very low-, low-, and moderate-income families buy or rent a home. The proposal would require each company to develop a plan to support lending by financial institutions for three types of housing:

- Manufactured housing
- Affordable housing preservation
- Rural housing

Here are links to the [press release](#), the [proposed rule](#), and the [fact sheet](#).

- FHFA will host a webinar on the Duty to Serve proposed rule at 2 p.m. EST, Tuesday, December 22. The webinar is intended to increase public awareness of the proposed rule, summarize its contents, and answer your questions.
- After a summary presentation, FHFA staff will address only questions on the Duty to Serve submitted to FHFA in advance. Please **submit any questions by 4 p.m. EST, Friday, December 18** to: DutyToServeStakeholders@FHFA.gov. Please put “question” in the subject line. Please note that questioners may be identified during the webinar if their questions are selected. All questions, the identities of the questioners, and FHFA’s responses will be included in the public comments record for the proposed rule.
- The webinar will be open to any interested party. Feel free to forward this message to anyone who may be interested in the webinar or Duty to Serve.
- To register for the webinar, please click on the link below.

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Please click [here](#) if you wish to provide feedback on Kimberly Eaglin's services and support.