

**Duty to Serve Rulemaking  
Proposed Rule (80 Federal Register 79182 (Dec. 18, 2015))**

**Roundtable Between the Federal Housing Finance Agency (FHFA) and Rural Housing  
Market Stakeholders**

**April 19, 2016**

**Constitution Center, 400 7<sup>th</sup> St., S.W., Washington, D.C.**

**10:30 a.m. – 12:30 p.m. Eastern Standard Time**

**Attendees (In-person):**

FHFA staff: Lyn Abrams, Peter Brereton, Jackie Conaway, Matt Douglas, Jim Gray, Nina Griffith, Stefanie Johnson, Mike Price, Jeannine Schroeder, Alfred Pollard, Danielle Walton, and Ted Wartell

Lance George (Housing Assistance Council)  
Audrey Johnson (National Rural Housing Coalition)  
Richard Price (Council of Affordable and Rural Housing)  
Robert Rapoza (National Rural Housing Coalition)  
Shiv Rawal (Center for American Progress)

**Summary:** On April 19, 2016, FHFA staff identified above met with the above-referenced rural housing market stakeholders representing varied rural housing market interests, in connection with FHFA’s 2015 Duty to Serve (DTS) proposed rule. The purpose of this meeting was to provide the stakeholder attendees, who had previously submitted written public comments to FHFA on the proposed DTS rule, with an opportunity to discuss those comments, express their views on the comment letters submitted by others, or provide views on clarifying questions from FHFA regarding the comments. The following is a summary of the attendees’ discussions at the meeting and reflects solely the views of the attendees as captured by FHFA staff. The term “Enterprise” refers to Fannie Mae or Freddie Mac.

**Proposed definition of “rural area” and activities in rural areas**

Attendees discussed views regarding the rule’s proposed definition of “rural area.” Some attendees stated that the proposed definition includes too many suburban communities in the East, and excludes many small, rural communities in the West. One attendee said that FHFA’s proposed definition would omit small towns and worker housing in the California central valley, and would omit many Western mountain areas.

Attendees noted that there is not a perfect definition of rural area, but that a simple, uniform definition is needed. Some attendees stated that the United States Department of Agriculture’s (USDA) definition of rural is complete and many users understand it, while other attendees stated that the USDA definition is not understood and overly broad. Several attendees recommended using the Housing Assistance Council’s (HAC) modification to the proposed definition as described in HAC’s public comment letter.

Most attendees recommended that the Enterprises support financing under USDA’s rural housing loan programs, for example, the Sections 502, 515, and 538 programs, but some attendees opposed making Enterprise support of these programs a Regulatory Activity. One attendee noted that many Section 515 loans would mature by 2024. Another attendee observed that about 60 percent of Rural Housing Service guaranteed loans are in suburbs, which have higher incomes. The attendee said that money will gravitate to where it is not needed. Attendees stated that the Enterprises should target and buy loans in truly rural areas and high-needs rural regions.

### **Proposed definition of “high-needs rural region”**

Attendees discussed views on the rule’s proposed definition of “high-needs rural region,” and possibly including additional or alternative high-needs rural regions. Attendees recommended adding persistent poverty counties to the proposed definition, and that the “Black Belt” should be included. Some attendees argued for using the Community Development Financial Institution Fund’s definition of persistent poverty counties as being the most inclusive. While several attendees noted that there may be a risk of diluting the definition of a high-needs rural region by adding persistent poverty counties, they recommended their inclusion in the definition because these counties need the resources and should be targeted by the Enterprises. They also stated that high-needs rural regions, as well as high-needs rural populations, should be addressed separately from other rural communities in the proposed rule, as proposed.

### **Proposed DTS Underserved Markets Plans and evaluations**

Attendees discussed views on the rule’s proposed Enterprise Underserved Markets Plans (Plans), FHFA’s evaluation and scoring of Enterprise performance under their Plans, and possible alternative approaches.

Attendees stated that the proposed period for public input on the Enterprises’ Plans should be longer. They also stated that the proposed Evaluation Guides should be provided to the public for input.

Most attendees said that the Plan process should be less technical than as proposed. Most attendees said that FHFA should directly evaluate the Enterprises’ performance based on measurable objectives. Several attendees recommended adding a fifth rating category to the rule’s proposed four-tiered overall rating system in order to incent the Enterprises to do more under the DTS. Some attendees recommended removing the proposed numeric scoring system under which a range of potential scoring points would be assigned to each Plan activity. Other attendees stated that there would be challenges to developing an overall rating if scoring points were not assigned.

Attendees said that if an Enterprise fails to meet a Plan objective because of market conditions or obstacles, FHFA should still give DTS credit for work by the Enterprise that improved conditions in the underserved market as a result of trying to achieve the objective.

Some attendees stated that residential economic diversity should be a Regulatory Activity and not an extra credit activity as proposed. One attendee questioned how residential economic diversity would work since the Enterprises are not subsidy programs. Most attendees indicated that FHFA should work closely with the Enterprises to spur them to engage in the underserved markets, and to have open and regular communications with the Enterprises.

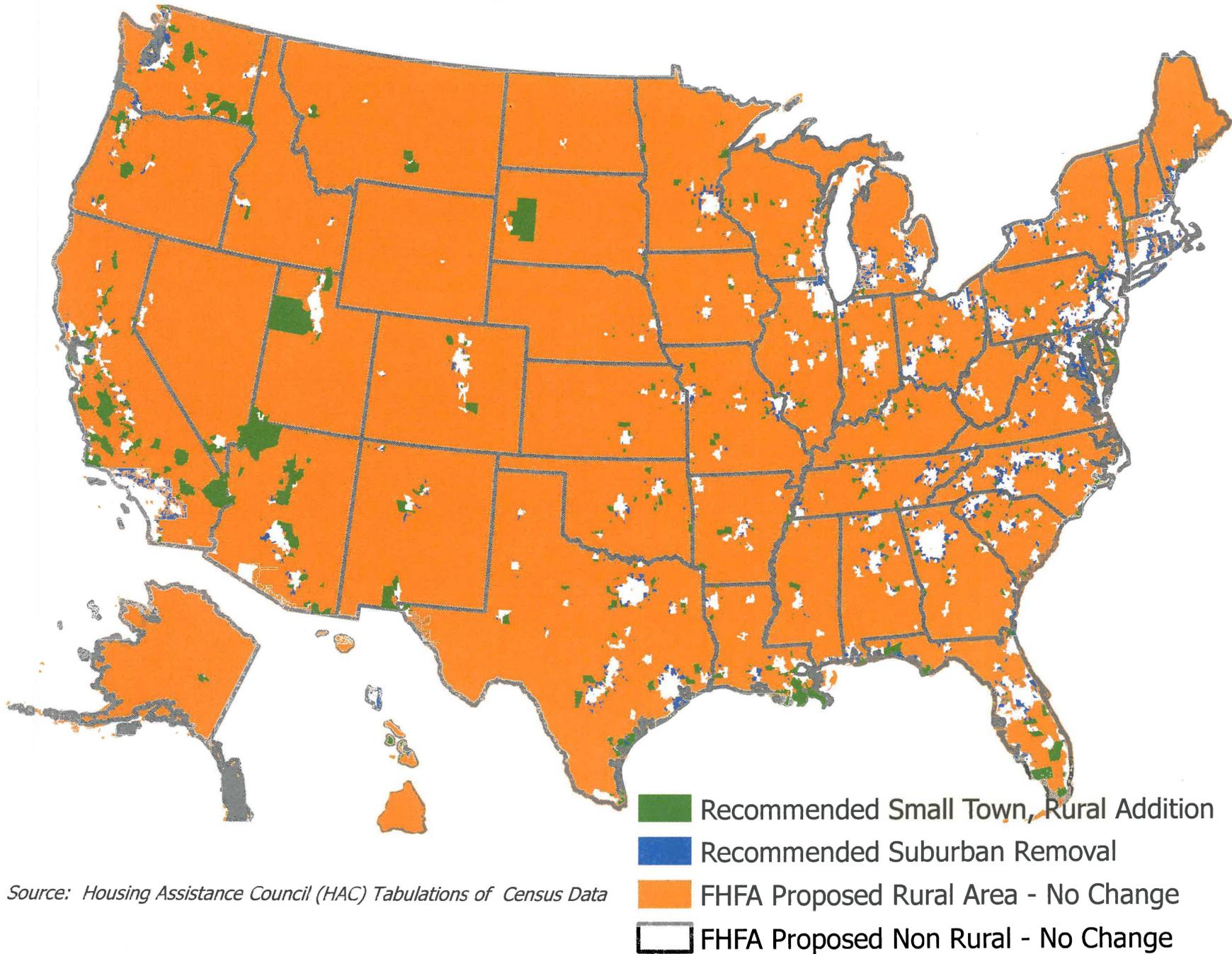
### **Low-Income Housing Tax Credits (LIHTCs)**

Attendees discussed views on the Enterprises' LIHTC role. Some attendees stated that the Enterprises should be permitted to re-enter the LIHTC market, while other attendees opposed this. Several attendees said that if the Enterprises are allowed to return to the LIHTC market, their role should be limited to targeted areas and a market share cap should be established. Some attendees recommended that the Enterprises' LIHTC activities be limited to rural areas. Some attendees said that if the Enterprises invested in LIHTCs or provided guarantees, FHFA must impose strong controls.

### **Other**

Attendees raised other issues including the proposed rule's provisions on tenant pad lease protections in manufactured housing communities, and the current prohibition on the Enterprises' making grants while in conservatorship.

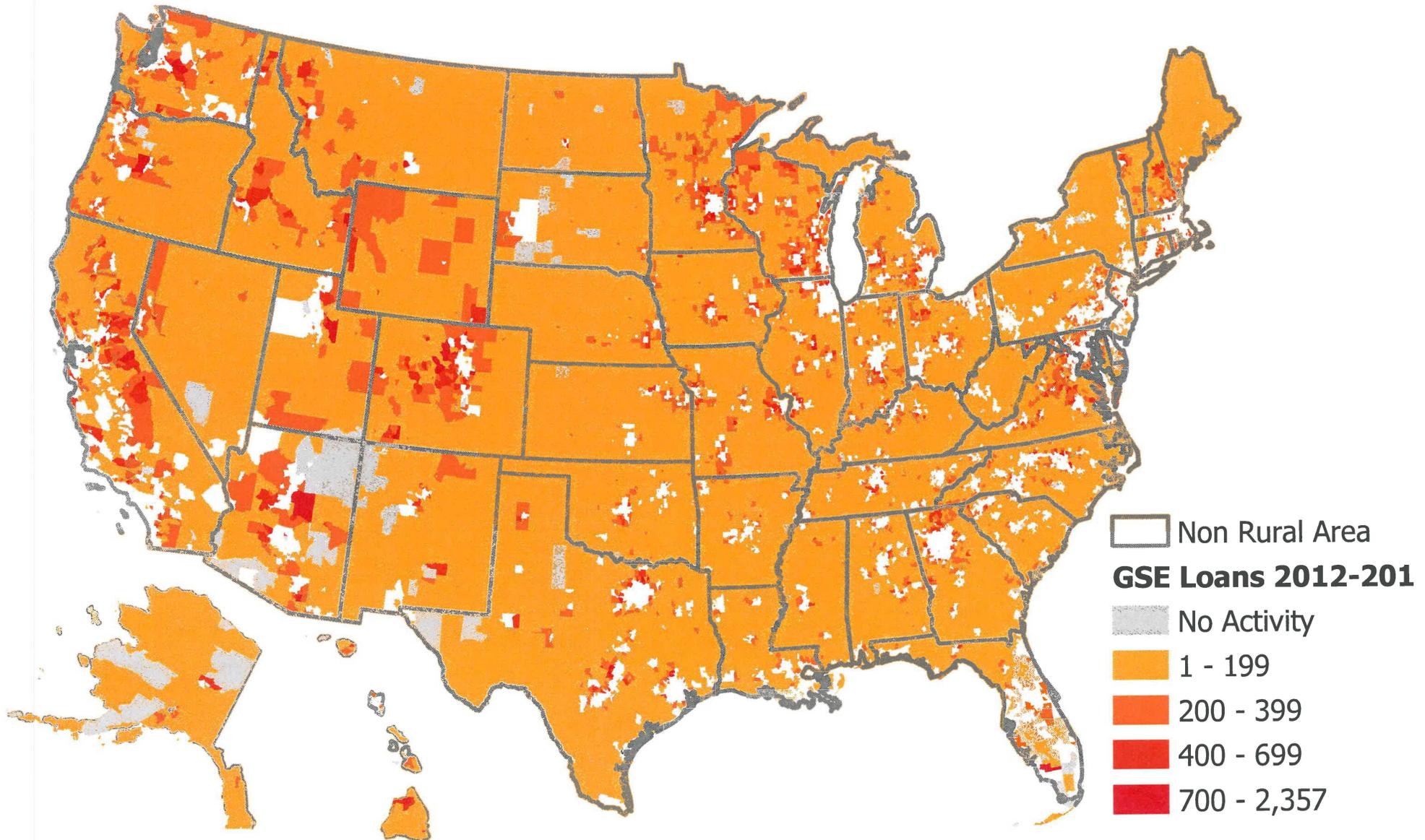
# Recommended Changes to FHFA Proposed Rural Areas



Source: Housing Assistance Council (HAC) Tabulations of Census Data

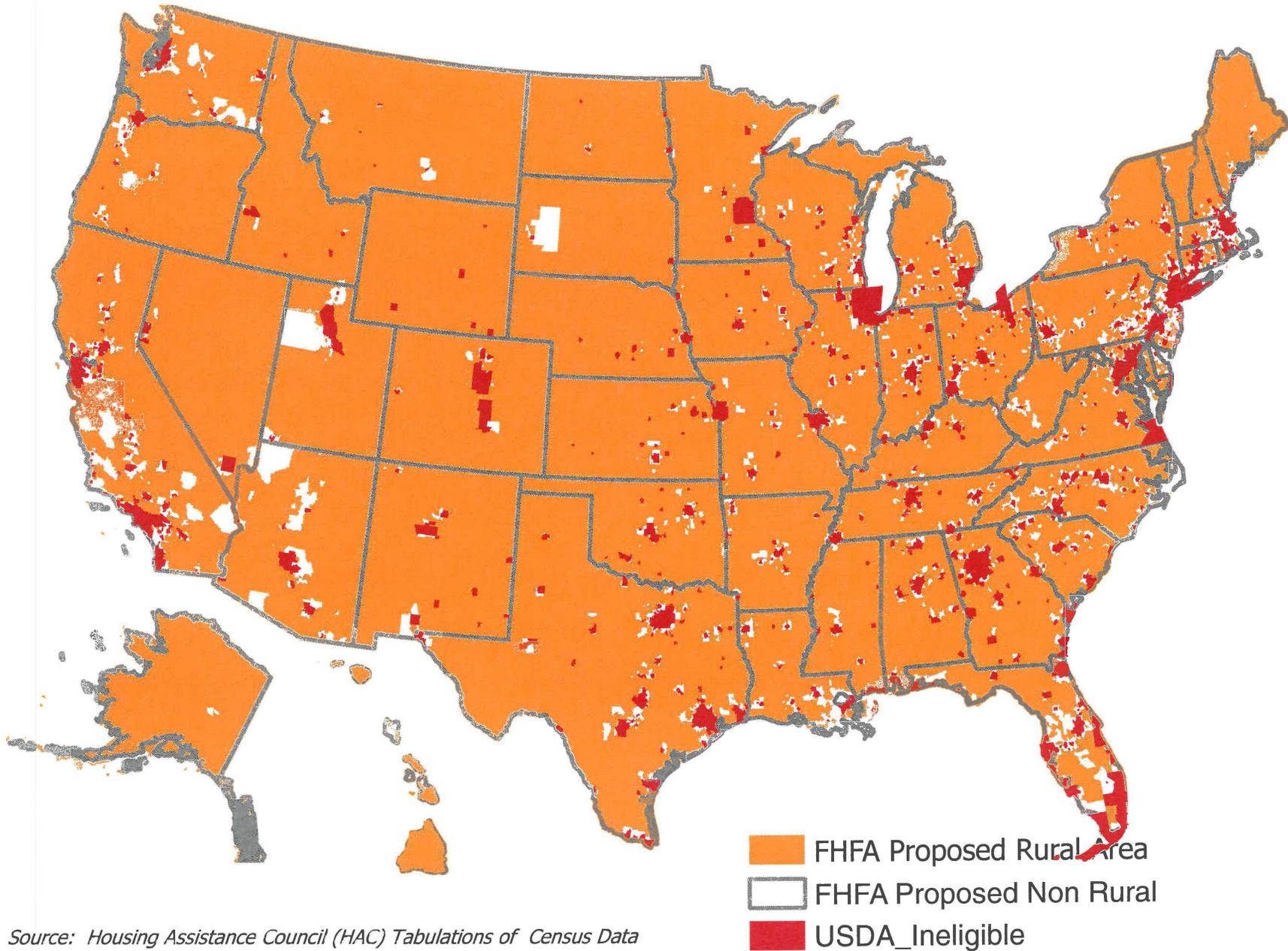
# Rural GSE Activity is Concentrated Near Suburban and Urban Areas

Rural Enterprise Loan Activity, 2012-2014



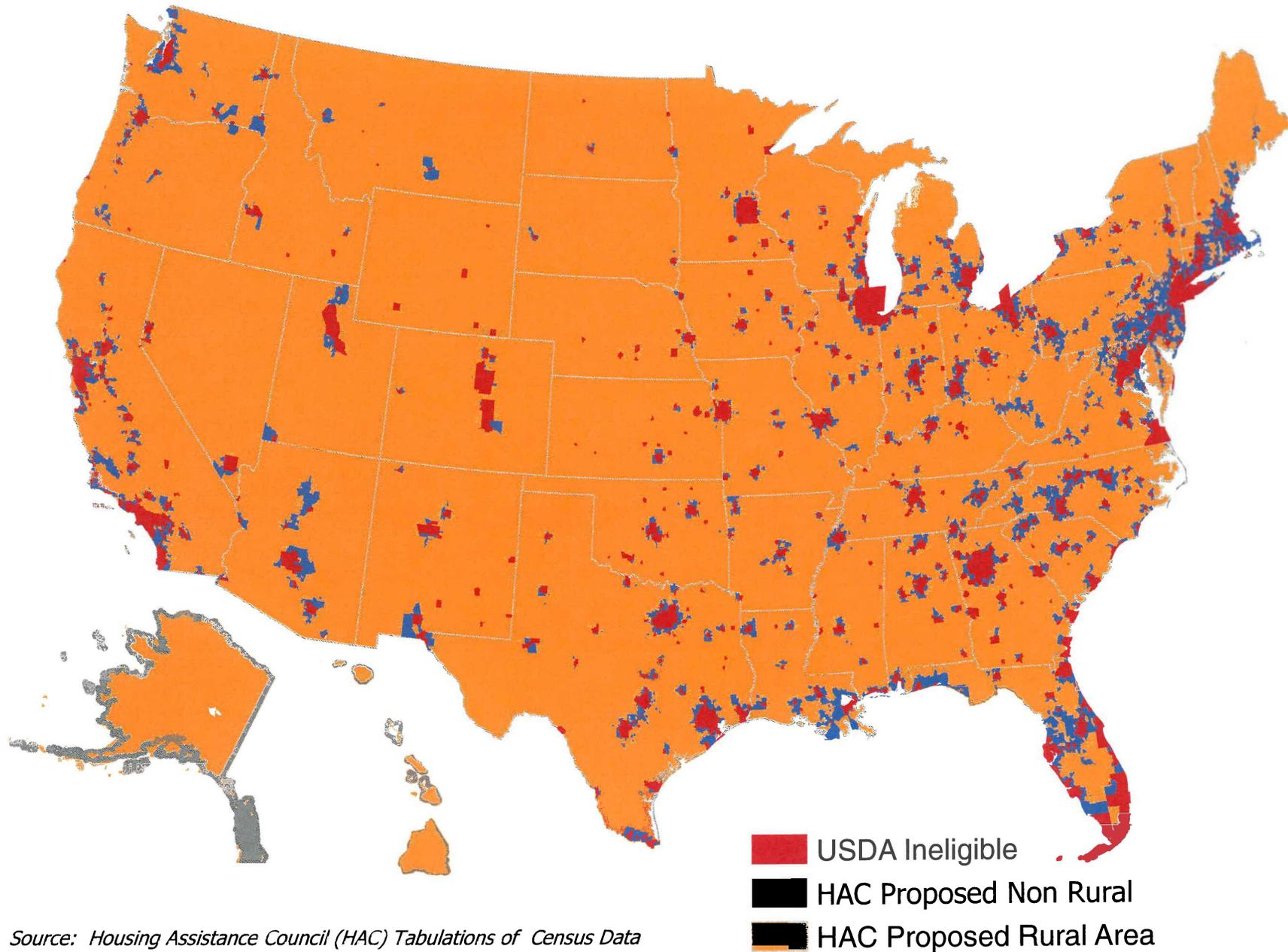
Source: Housing Assistance Council (HAC) Tabulations of 2012-2014 Home Mortgage Disclosure Act Data

# Duty to Serve - FHFA Proposed and USDA RD Definitions



Source: Housing Assistance Council (HAC) Tabulations of Census Data

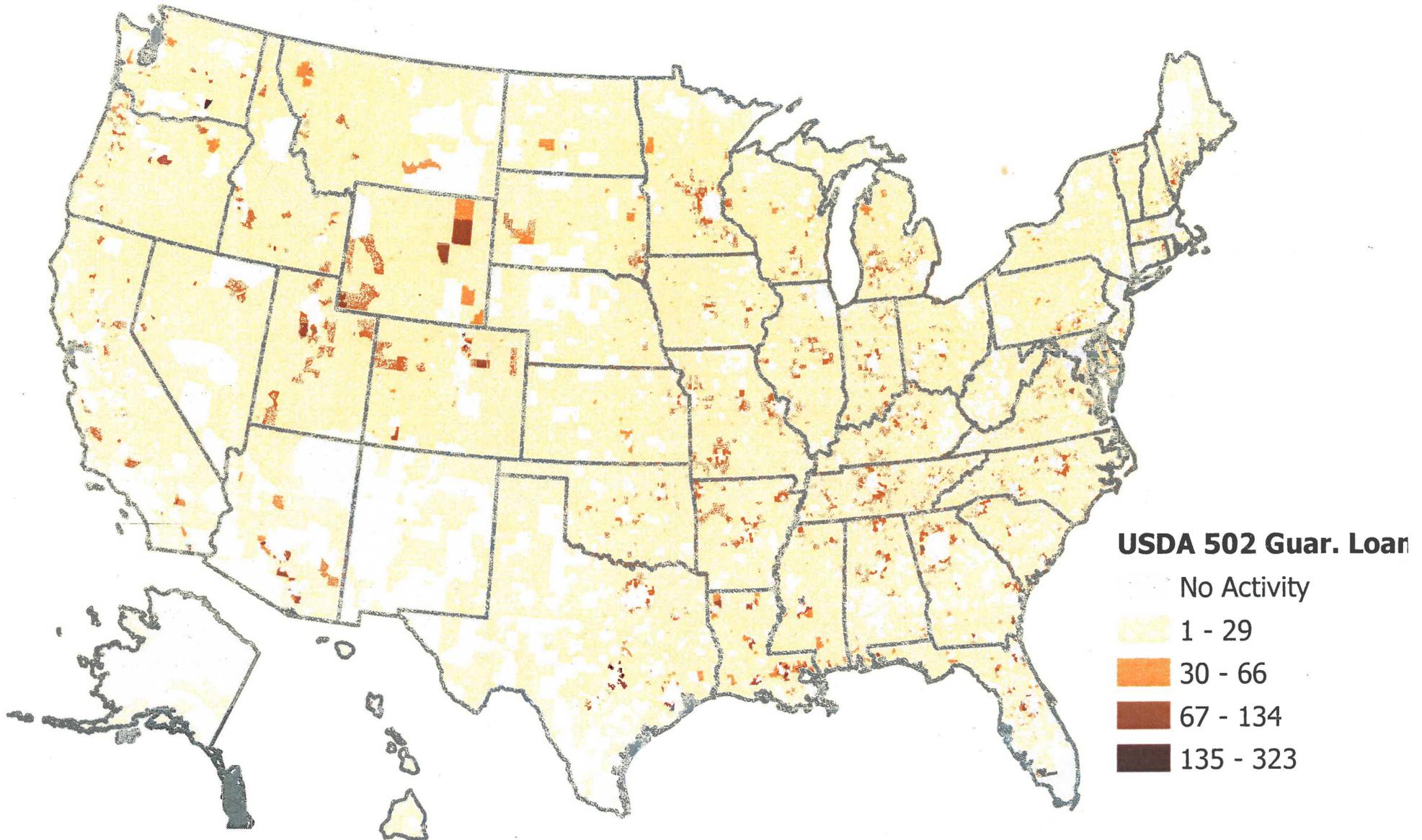
# Duty To Serve - HAC Proposed and USDA RD Definitions



Source: Housing Assistance Council (HAC) Tabulations of Census Data

# More Than Half of USDA Section 502 Guaranteed Loans Are Made in Suburban or Exurban Communities

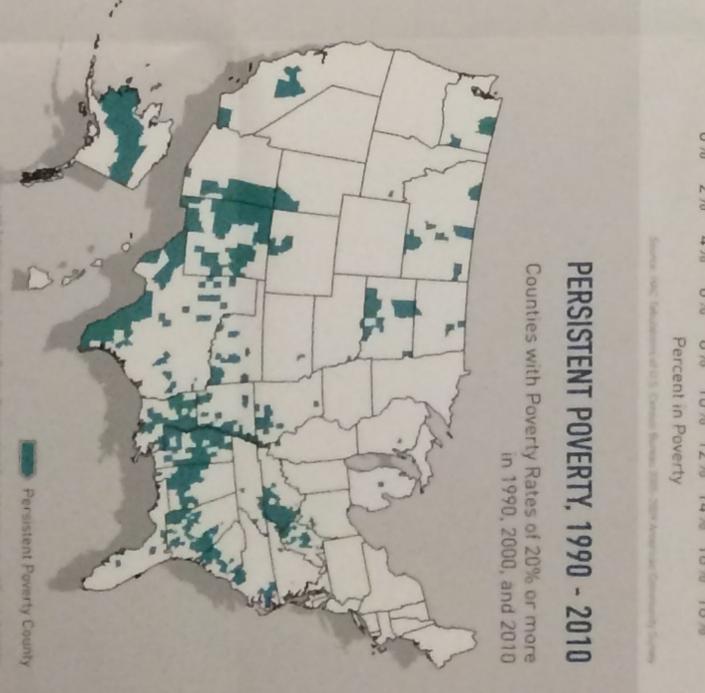
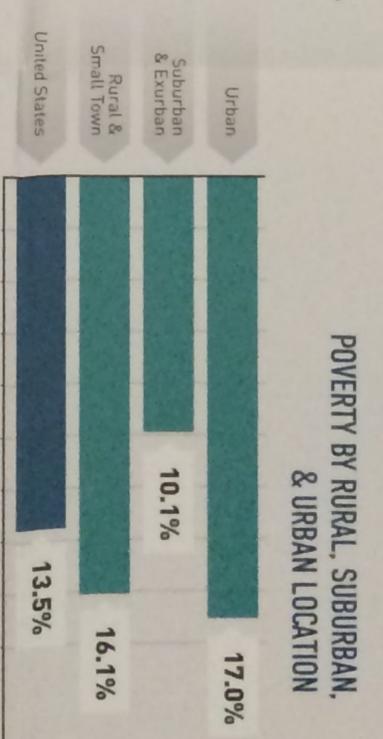
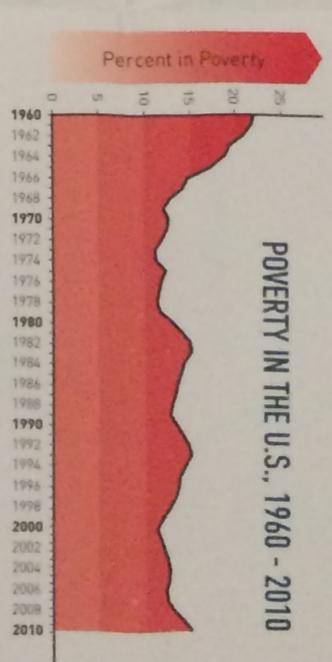
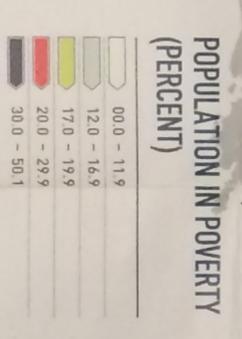
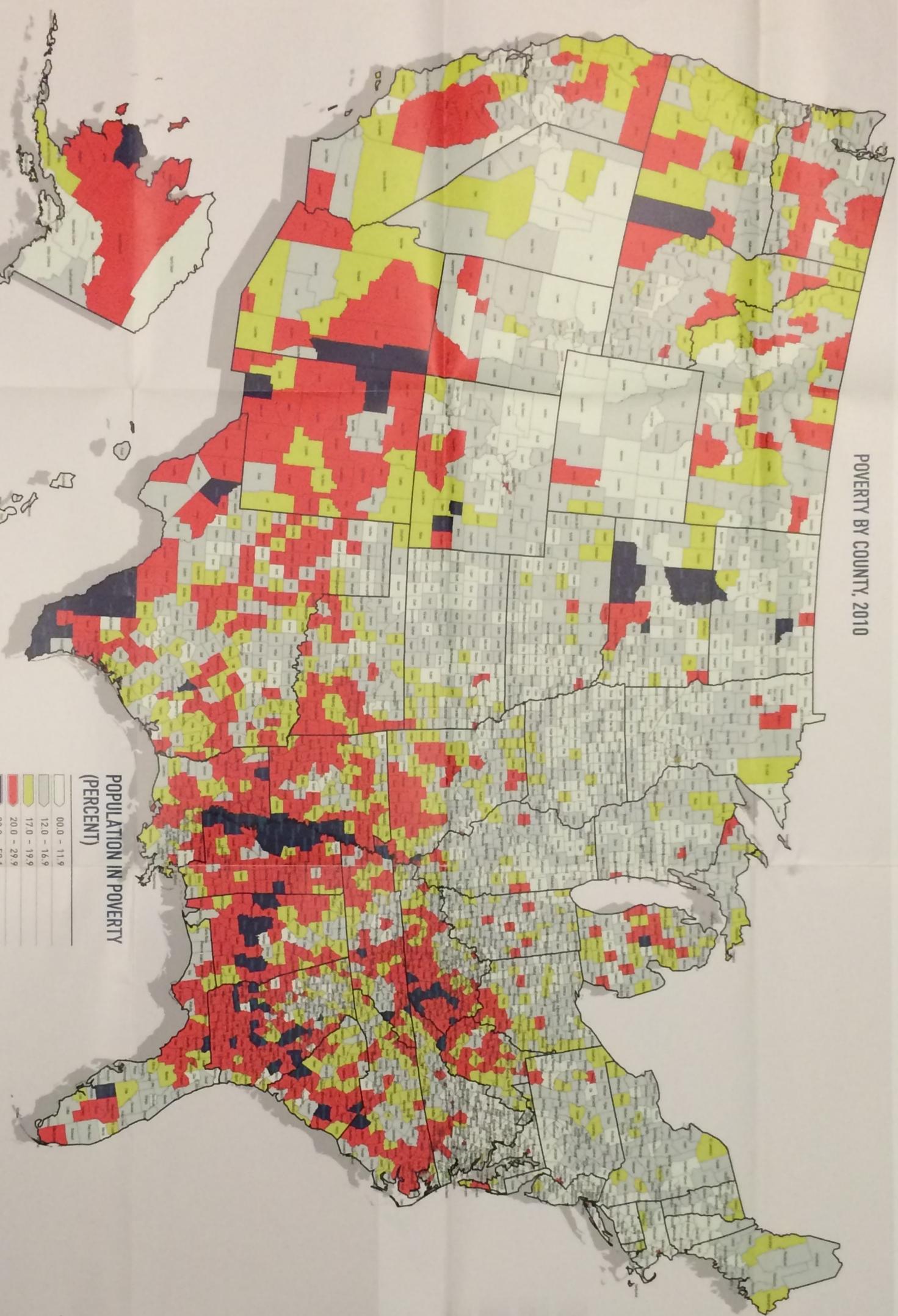
USDA Section 502 Guaranteed Loans by Census Tract, 2012-2014



Source: Housing Assistance Council (HAC) Tabulations of 2012-2014 Home Mortgage Disclosure Act Data (HMDA)

# POVERTY IN THE UNITED STATES

POVERTY BY COUNTY, 2010



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**ABOUT THE DATA**  
 This poster was produced by the Housing Assistance Council (HAC). The information presented derives from HAC tabulations of U.S. Census Bureau data. The Census Bureau uses a set of dollar value thresholds that vary by family size and composition to determine who is in poverty. Poverty status is determined for all people except institutionalized persons, people in military garrisons, and unrelated individuals under 15 years old. For more information on poverty estimates please consult the Census Bureau, [www.census.gov](http://www.census.gov) or the Housing Assistance Council, 1025 Vermont Avenue N.W., Suite 606, Washington DC, 20005, 202-942-8600 [www.ruralhome.org](http://www.ruralhome.org)