

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

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

February 26, 2016

Constitution Center, 400 7th St., S.W., Washington, D.C.

1:00 p.m. – 3:00 p.m. Eastern Standard Time

Attendees (In-person or by phone):

FHFA staff: Lyn Abrams, Matt Douglas, Jim Gray, Nina Griffith, Jeanie Shattuck-Lemons, Sharon Like, Alfred Pollard, Mike Price, and Padmasini Raman
Ramon Gomez (JP Morgan Chase)
Julia Gordon (National Community Stabilization Trust)
Dan McPheeters (Mortgage Bankers Association)
Ellen Seidman (Urban Institute)
Barry Zigas (Consumer Federation of America)

Summary: On February 26, 2016, FHFA staff identified above met with the above-referenced housing market stakeholders representing a diversity of interests, in connection with FHFA’s 2015 Duty to Serve proposed rule. The purpose of this meeting was to provide the stakeholders with an opportunity to express their views on implementing the Duty to Serve, the proposed rule’s approach to evaluation of Enterprise Duty to Serve performance, and the proposed rule’s evaluation rating structure. 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.

Most of the attendees stated that lenders need time to “ramp up” in order to partner with the Enterprises under the Duty to Serve, including the need to prepare appropriate “reps and warrants.” Attendees indicated that Duty to Serve products are likely to be originated at first by smaller lenders. Most attendees recommended that the proposed rule’s time frame leading up to FHFA’s non-objections to the Enterprises’ draft Underserved Markets Plans should be longer. They indicated that there may be “slippage” where deadlines need extensions or are missed.

All of the attendees stated that innovation by the Enterprises should be encouraged before, during, and after the Underserved Markets Plans are submitted to FHFA. Attendees noted that pilot initiatives may prove effective only under certain circumstances, such as in particular cities, and may not be scalable nationwide.

Attendees stated that there is “huge” space in affordable housing preservation where the Enterprises could assist, but that it is difficult for the Enterprises to assist high-needs rural markets.

All of the attendees stated that the proposed scoring system for evaluating Enterprise performance would be excessively complicated to administer. They expressed concern that the proposed scoring system might lead the Enterprises to spending excessive time fitting their activities into small buckets and keeping track of their progress. They said that having too many Regulatory Activities in a single Underserved Markets Plan's three-year cycle may focus the Enterprises more on tracking their progress rather than on developing thoughtful, big ideas. They recommended that the Enterprises spend more time focusing on fewer key Regulatory Activities. Several attendees suggested limiting the number of Regulatory Activities in the first planning cycle, and having the Enterprises address the remaining Regulatory Activities in the second planning cycle. All of the attendees indicated that the Enterprises need to know, at all times, how FHFA views their progress.

All of the attendees also recommended that FHFA publish extensive data on the underserved markets, which would improve the quality of input received from the public on the Enterprises' Underserved Markets Plans. They suggested that this data be published quickly and be provided in quarterly releases. They stated that extending the public input period on the draft Underserved Markets Plans from 45 days to 60 days would make a huge difference to those desiring to provide input. Attendees recommended that the public be provided an opportunity to provide input not only on the Underserved Markets Plans, but also on the Enterprises' performance under their Plans for purposes of FHFA's evaluations of their performance. In this regard, attendees suggested that FHFA publish questions regarding the Enterprises' performance for public input.

Several attendees also recommended that FHFA collaborate with other agencies whose missions overlap with the Duty to Serve.

FHFA staff noted that the public comment period on the proposed Duty to Serve rule closes on March 17 and encouraged attendees to file written comments addressing these issues.