



December 1, 2022

Director Sandra Thompson  
Federal Housing Finance Agency  
400 Seventh Street, SW  
Washington DC 20219

**Re: Notice of Proposed Rulemaking: Enterprise Duty to Serve Underserved Markets  
Amendments (RIN 2590-AB22)**

Dear Director Thompson:

As a strong supporter of Duty to Serve (DTS) regulations that strive to better serve rural, manufactured housing, and affordable housing preservation markets, NeighborWorks America (statutorily the Neighborhood Reinvestment Corporation) appreciates the opportunity to provide comments on the Federal Housing Finance Agency's (FHFA's) Notice of Proposed Rulemaking to amend the Duty to Serve Underserved Markets regulation to better facilitate Freddie Mac and Fannie Mae's (Enterprises) activities in all colonias areas of the United States.

Please note that these comments have not been submitted to or approved by NeighborWorks America's Board. They reflect the view of NeighborWorks America management and do not necessarily represent the views of its Board members, either collectively or as individuals.

NeighborWorks America (NeighborWorks) is a Congressionally-chartered nonprofit organization established in 1978. We support a network of nearly 250 local and regional nonprofit affiliated housing and community development organizations, including the 120 NeighborWorks organizations (NWOs) that collectively make up our Rural Initiative. These NWOs serve rural Americans across the country and many focus, in particular, in areas of persistent poverty including communities and peoples in Appalachia, the Mississippi Delta, Native American lands and colonias. Of those, 11 NWOs in Arizona, California, New Mexico and Texas, serve geographic areas that include colonias. Their lines of business range from homeownership creation and management of rental buildings to real estate development and financial capability counseling. They also provide services that include addressing food insecurity and the coordination of critical health care.

**In General:**

We appreciate that, as FHFA has crafted DTS regulations over time, the Agency has continued to adapt and adopt changes that can offer better opportunities for mortgage market financing for underserved markets like the colonias. NeighborWorks supports adding the definition of ‘colonia census tract’ as a proxy for ‘colonia,’ and the amendment of the definition of ‘high-needs rural region’ to reflect the same change. We further support updating the definition of ‘rural area’ to include all colonia census tracts, regardless of location, making all activities in these exceptionally high-needs rural areas clearly eligible for Duty to Serve credit for the Enterprises.

**Responses to Questions:**

Question 1: *“What are the advantages and disadvantages, if any, to using colonia census tracts instead of colonias, for purposes of identifying and verifying Duty to Serve-eligible activities?”*

Employing an approach that relies on census tracts rather than a unique geographic delineation is far preferable. Designating colonia census tracts would align FHFA’s treatment of colonias under the Duty to Serve regulation with other census tract-based standards, significantly simplifying Enterprise reporting to FHFA and improving the process for all stakeholders working to create sustainable opportunities in colonias. As it stands, data regarding the colonias is very difficult to obtain and is not consistent across states. Census-tract based reporting is well understood and commonly used, allowing for easy overlays and analysis.

Our experience with census tracts has been positive for the targeting and development of grants and programs. Specifically, NeighborWorks utilizes census tract demographics to identify areas with the greatest need. Once identified, we are able to design our funding programs accordingly. Recently, in order to target the \$100 million of the American Rescue Plan Act’s Housing Stability Counseling Program (HSCP) funds to neighborhoods with high concentrations of minority and low-income populations, our analysis included census tract demographics. Using colonia census tracts would assist with standardization of the data in this kind of work and allow us to consistently incorporate that designation throughout our analysis, research, and reporting.

Question 3: *“What are the advantages and disadvantages, if any, to revising the Duty to Serve “rural area” definition to incorporate all census tracts that contain a colonia regardless of their location?”*

NeighborWorks concurs with the well-outlined reasoning in the proposal. Revising the rural area definition would both streamline the process of identifying Duty to Serve-eligible loans and enhance certainty for all stakeholders about targeting loan purchases and outreach to colonia census tracts. Although the definition would afford inclusion regardless of the geographic location, it is clear that the needs of all colonias are great, irrespective of where they sit in relation to metropolitan areas. While colonias may be located in proximity to metropolitan areas, they are characterized by conditions and challenges that are prevalent in rural areas. In particular, like many rural communities, colonias frequently struggle with underdeveloped public utility and transportation infrastructure.

### **Conclusion**

Rural communities across the country face unique challenges, something exemplified by the wide-ranging needs in colonias communities. Ensuring that the people of the colonias have a better opportunity to live in affordable homes, improve their lives and strengthen their communities is a core goal for NeighborWorks America and the network organizations serving them. We appreciate the flexible mindset of the FHFA in proposing an updated and improved Duty to Serve Underserved Markets regulation that will help NeighborWorks organizations and other lenders work with Fannie Mae and Freddie Mac to outreach, market and provide desperately needed housing finance for affordable, sustainable homes in all colonias. This definitional model, if approved, could also be replicated at other federal agencies that have colonia-focused programs, which could further comprehensive community development efforts to the benefit of all in those communities. Given the historical lack of investment in colonias, this effort to incentivize greater investment could be transformative.

Thank you again for the opportunity to comment.

Sincerely,



President & CEO  
NeighborWorks America