Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, D.C. 20219

November 11, 2022

Re: RIN 2590-AB22

Dear Director Sandra Thompson:

The Partners for Rural Transformation thank you for the opportunity to comment on the proposed amendment to FHFA's Enterprise Duty to Serve Underserved Markets regulation.

Guided by a vision of a nation where persistent poverty no longer exists, six regional Community Development Financial Institutions (CDFIs) located in and serving regions with a high prevalence of rural persistent poverty came together. The CDFIs—Come Dream | Come Build (cdcb) of Brownsville, Communities Unlimited, Fahe, First Nations Oweesta Corporation, (HOPE) Hope Credit Union and Hope Enterprise Corporation, and Rural Community Assistance Corporation— formed a coalition, currently called the Partners for Rural Transformation (PRT). With a shared ethos of investing in both people and places and informed by the voices of local people, we seek to unify around opportunities in diverse communities at a time of great division in our nation.

Perhaps nowhere else in the United States is the structural exclusion by race and place more self–evident than in communities of persistent poverty. Of the 395 persistent poverty counties, eight out of ten are rural. The majority (60%) of people living in persistent poverty counties are people of color. In fact, 4 out of 10 (42%) persistent poverty counties are majority people of color. A closer look at persistent poverty America reveals how structural exclusion by place and race continues to paint a picture that is steadfastly rural and marred by racial, capital and data inequity. Rural America faces systematic, avoidable, and unjust economic, health, and racial disparities. Legacies of forced geographic and cultural displacement, enslavement, financial discrimination, residential segregation, and transitioning economies have left an indelible mark. PRT Partners are dedicated to providing critical financial services to areas that otherwise have none in order to reach communities where the racial wealth gap is at its widest.

This potential amendment to Duty to Serve's regulation brings long awaited clarity to the definition of colonias which will structurally incentivize the GSE's to do more for hundreds of communities along the U.S. Mexico border and greater southwest. We hope to further bolster the FHFA's case for these changes and make a wider call for other federal agencies to adopt such clear, functional definitions for the purposes of colonia investment.

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?

The main advantage of using colonia census tracts to identify and verify Duty to Serve-eligible criteria is that doing so achieves stability in methodology while maintaining flexibility to adapt to evolving geographies. This is no small feat: As fundamentally ad-hoc communities, informally self-built by people pushed to the margins, colonias defy concrete definition. For decades federal policy makers attempted to define colonias, unsuccessfully chasing evolving and dynamic contexts. During the latter half of the twentieth century, colonias were largely located along the edges of agricultural economies. Since the passage of NAFTA in 1994, the character of colonias shifted as new unincorporated communities arose as result of the explosive economic and demographic expansion along the U.S.-Mexico border.[1] Past definitions failed to account for these shifts; whether it was narrow geographies, an adherence to what many imagined colonias to be, or a deference to contradictory parameters at the state level, outside efforts simply missed the mark.[2] This left the GSEs without clear guidance on what counted as Duty to Serve eligible activities, rendering any potential efforts to hone best practices in serving these unique communities as unworkable. Even still, GSE lending activity proved the only vehicle for credit in these underserved markets (but to a limited degree and only because traditional market lending was nonexistent).[3] Shifting to a more stable definition enables the GSEs to design and implement more intentional engagement with colonias, significantly deepening impact.

In addition to the stability and flexibility of the colonia census tract method, it is also accurate. In surveying the colonias of south Texas, we have determined that the census-tract method delivers laser focused concentration on colonias even when they are surrounded by mixed-income non-colonia communities. Despite their proximity, none of the relatively high-income incorporated areas would fall under a colonia census tract in the proposed methodology, proving its efficacy in directing resources to where they are most needed.

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?

Incorporating all census tracts that contain colonias into the rural area definition further enables the GSEs to program accurately around the lived experiences of these communities. Regardless of their physical location in relation to metropolitan areas, colonias embody a rural existence. From infrastructure to economic outlook, any list of characteristics comparing colonias to rural regions feature stark similarities.[4] Over the last 20 years, as metropolitan areas expanded and encircled colonias, local governments chose not to incorporate them. Cut off from municipal services, colonias were denied integration into the surrounding economy, thereby stranding these impoverished communities in what are effectively archipelagos of rural poverty. Essential infrastructure is denied or delayed, municipal services are contracted out at a premium, and social outcomes are all vastly inferior for people living on the wrong side of the incorporation

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[1] Jordana Barton, Elizabeth Sobel Blum, Raquel R. Marquez, and Emily Perlmeter, *Las Colonias in the 21st Century: Progress Along the Texas-Mexico Border*, April 2015, 10-12.
[2] Lance George and Keith Wiley, *Colonia Investment Areas: Working Towards a Better Understanding of Colonia Communities for Mortgage Access and Finance*, Housing Assistance Council, November 2020, 6-8.
[3] Ibid, 30-33.
[4] George and Wiley, 21.

barrier. These are the same rural realties faces by communities in regions such as the Appalachians, the Mississippi Delta, and Indian Country.[5] Acknowledging the inherently rural nature of colonia development is a commonsense measure capable of further incentivizing GSE activity to meet their Duty to Serve obligation.

CONCLUSION

If adopted, the altered definition's immediate impact will be on Fannie and Freddie lending activity. But the FHFA's leadership on this topic possesses the potential to create a beneficial ripple effect. If other federal entities were to also adopt this methodology it would streamline the deployment of a suite of federal programs and services across USDA, HUD, Treasury, and others. This would result in the real possibility of economically integrating colonia communities to their surrounding economies, supercharging efforts to address decades of disparities. We must not miss this historic opportunity by delaying any further.

The Partners for Rural Transformation lends it full-throated endorsement to the proposed rule change and thanks the FHFA and Director Thompson for leading on this issue and relying on the testimony and research of long-working experts in this subject area to achieve, at long last, a stable, useable, and flexible definition for colonias.

Sincerely,

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[5] Partners for Rural Transformation, *Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity*, March 2020.