



November 17, 2023

Mr. Ted Wartell
Associate Director, Office of Housing and Community Investment
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20219

Comments/RIN 2590-AB30

RE: Exception to Restrictions on Private Transfer Fee Covenants for Loans Meeting Certain Duty to Serve Shared Equity Loan Program Requirements – Proposed Rule

Dear Mr. Wartell:

On behalf of NeighborWorks America I want to thank the Federal Housing Finance Agency (FHFA) for the opportunity to provide comments regarding the Exceptions for Private Transfer Fee Covenants (PTFC). NeighborWorks is grateful for our partnership with the FHFA and is deeply appreciative of the outreach from FHFA staff to seek framing input prior to issuing this proposal.

Please note that these comments have not been submitted to or approved by NeighborWorks America's board. These comments reflect the view of NeighborWorks America management and do not necessarily represent the views of its board members, either collectively or as individuals. These comments have been informed by the experiences of several members of NeighborWorks America's network of nearly 250 local and regional nonprofit organizations.

Our mission at NeighborWorks America is to create opportunities for people to live in affordable homes, improve their lives and strengthen their communities. Since 2019, Congress has appropriated funding for NeighborWorks to operate a Shared Equity Housing Initiative, supporting network organizations as they explore, adopt, and scale shared equity housing models to stabilize communities and create affordable homeownership opportunities.

Fannie Mae and Freddie Mac ("the GSEs") provide critical liquidity for the housing market, and NeighborWorks is strongly supportive of the Duty to Serve (DTS) framework as a means to incentivize and assess the GSEs' performance in this area. Ensuring that the regulatory framework appropriately credits loan purchases supporting shared equity projects is extremely important. At the same time, as the shared equity field continues to develop and scale, NeighborWorks encourages FHFA to allow the GSEs to standardize a market and inject liquidity, even for shared equity properties that are not eligible for DTS credit.

NeighborWorks applauds FHFA for taking proactive measures to ensure that the types of PTFs commonly found in shared equity housing programs are not categorized as prohibited in the PTF Regulation. The PTFs used in these programs are often important sources of revenue for sustaining and reinvesting in the shared equity program itself, and do not represent the kinds of private income streams that do not provide direct benefit to the property.

Based on the experience of network organizations operating shared equity programs, NeighborWorks notes that market conditions are leading many programs to serve higher income homebuyers beyond the 100 percent AMI limit included in the DTS shared equity loan program criteria. With these challenges in mind, NeighborWorks recommends that FHFA adopt an exception for PTFs on properties that meet all of the DTS Resale Restriction Program criteria, with the exception of the income limit. NeighborWorks does not recommend applying any income limitations, as doing so would unnecessarily restrict access to the secondary market for a small—but present—segment of shared equity buyers served by shared equity programs.

Finally, in discussing this issue with network organizations, NeighborWorks heard significant concern about the challenges of finding mortgage products for shared equity homes accessible to client populations with low credit scores or ITINs. NeighborWorks encourages FHFA to continue to explore ways to encourage the GSEs and the primary market to develop and originate shared equity loan products that can safely serve this segment of the market.

NeighborWorks appreciates the opportunity to provide input on these important topics, and we look forward to continuing to work with FHFA and the GSEs to bring capital and investment to underserved markets.

Sincerely,



Kirsten T. Johnson-Obey
Senior Vice President, Public Policy and Legislative Affairs