March 17, 2016

Mr. Alfred M. Pollock, General Counsel
Attention: Comments/RIN 2590-AA27
Federal Housing Finance Agency
Eight Floor, 400 7th Street SW
Washington, DC 20219

Re: Proposed Rule for Fannie Mae's and Freddie Mac's Duty to Serve Underserved Markets

Opportunity Finance Network appreciates the opportunity to comment on the Federal Housing Finance Agency's Notice of Proposed Rulemaking on the Duty to Serve (DTS) rule for Fannie Mae and Freddie Mac (collectively the GSEs).

Opportunity Finance Network (OFN) is the leading national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America. OFN Members are performance-oriented, responsible investors that finance community businesses, spark job growth in the areas that need it most, and deliver both sound financial returns and real changes for people and communities.

Our Network has originated more than $42 billion in financing in urban, rural, and Native communities over the past 30 years. With cumulative net charge-off rates on par or better than traditional banks - less than 1% - we have demonstrated our ability to lend prudently and productively in unconventional markets often overlooked by conventional financial institutions.

We commend FHFA for proposing a planning, reporting and evaluation process that upholds the legislative intent of the Housing and Economic Recovery Act while providing the GSEs with flexibility to adjust to market conditions. The Enterprise's affirmative obligation to facilitate the financing of affordable housing for low- and moderate-income families, and the Duty to Serve are critical to ensuring equitable access to our nation's housing finance system. The proposed DTS rule, along with the GSE affordable housing goals and contributions to the National Housing Trust Fund and Capital Magnet Fund, are vital to addressing America's housing finance needs.

CDFIs and Housing Finance

CDFIs are important players in the national housing finance landscape and are providing innovative solutions to address the affordable housing crisis in our communities. CDFIs in OFN's network have cumulatively developed or rehabilitated

620 Chestnut Street, Suite 572 ▪ Philadelphia, PA 19106
P: 215.923.4754 ▪ F: 215.923.4755 ▪ info@ofn.org

more than 1.5 billion housing units through fiscal year 2014.[1] CDFIs are responsible lenders who offer credit, capital, and financial services to promote sustainable homeownership; counter predatory products and services; develop affordable multifamily and rental housing; and pioneer innovation in financing such markets as shared-equity housing and manufactured housing.

CDFIs and other opportunity finance institutions lend successfully every day to those often perceived as poor credit risks. They do so by offering innovative products and services, and by coupling their investments with technical assistance that helps borrowers understand their transactions and be better prepared for their obligations. In this role, CDFIs are integral participants in the affordable housing finance marketplace.

CDFIs are providing innovative solutions to create affordable housing in the three underserved markets identified in the statute: manufactured housing, affordable housing preservation, and rural housing. However, many CDFIs still lack access to the capital markets supported by the housing finance system. In part because of this lack of access, CDFI housing lenders are experiencing liquidity challenges that inclusion in more mainstream sources of housing finance could help solve.

The GSEs have the potential to catalyze affordable housing development and address the needs of low income communities by providing CDFIs with liquidity for their lending activities, as well as supporting training and technical assistance needed to build the capacity of lenders working in difficult-to-serve markets. In general, OFN supports the regulatory framework established by the FHFA for the Enterprise Duty to Serve.

OFN has identified areas throughout the proposed rule where the Enterprises can enhance their activities in underserved markets by supporting the work of CDFIs. Our comments on the proposed rule fall into four categories: Requirements on Underserved Markets Plans, Manufactured Housing, Affordable Housing Preservation, and Rural Housing. There is also an Appendix at the end of the document highlighting the work of some of our Member CDFIs in these underserved markets.

Requirement for Underserved Markets Plans—Proposed § 1282.32

OFN appreciates the comprehensive approach the FHFA has taken to create a framework for the GSEs to develop their underserved markets plans. We would like to offer suggestions for the GSEs to strengthen certain areas in the proposed rule:

Question 1: How much discretion should the Enterprises have in selecting activities--Core Activities and Additional Activities--to serve the underserved markets?

[1] Opportunity Finance Network, "Side by Side", 2014.

FHFA should have broad authority to direct the statutory activities of the Enterprises during the initial phases of implementing the rule, in order to ensure the Enterprises are staying on track and channeling resources to underserved communities.

Question 2: Should FHFA establish specific Regulatory Activities for the underserved markets, or should the Enterprises have broad discretion to decide how to serve these markets?

The FHFA should establish specific regulatory activities, at least initially, rather than give the Enterprises broad discretion to decide how to guide these markets. However, the Regulatory Activities should have a certain amount of flexibility to allow the Enterprises to adjust to major changes in market conditions during the plan period.

Question 3: Are the proposed Regulatory Activities, as identified in the proposed rule for each of the underserved markets appropriate for accomplishing the Duty to Serve objectives?

OFN supports the proposed Regulatory Activities identified in the proposed rule, but encourages the FHFA to do more to increase the Enterprises activities in these underserved markets.

OFN encourages the FHFA to consider providing DTS credit for Enterprise activities that directly address housing challenges faced by communities of color. The housing and foreclosure crisis had a disparately negative impact on Black and Latino communities, and in all housing affordability and security indicators, communities of color fare worse than their white counterparts. The Joint Center for Housing Studies found that minority households are especially likely to have severe housing cost burdens: 26 percent of black households, 23 percent of Hispanic households, and 20 percent of Asian and other minority households were severely burdened in 2013, compared with just 14 percent of white households.[2]

Communities of color are also struggling to recover from the housing crisis even as the market shows signs of rebounding. Homeownership rates for minority households remain far lower than those of white families: 68 percent of Whites are homeowners, as compared to 59 percent of Asians, 43 percent of Latinos, and 42 percent of African Americans.[3] This gap in homeownership rates contributes to a growing racial wealth gap as homeownership and home equity are key drivers of wealth for communities of color: for Whites, home equity accounts for 58 percent of their net worth, for Latinos, 67 percent and for Asian homeowners, 72 percent. For African Americans, home equity accounts for nearly all of their personal net worth (92%).[4]

[2] Joint Center on Housing Studies, "State of the Nation's Housing 2015", Harvard University. http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs-sonhr-2015-ch6.pdf
[3] Rebecca Tippett et al, "Beyond Broke: Why Closing the Racial Wealth Gap is a Priority for National Economic Security", Center for Global Policy Solutions, May 2014.
[4] Id at 3.

Further, although accounting for less than one in five zip codes, majority-minority communities make up half of the neighborhoods where house prices and home equity remain furthest behind, indicating a lag in the economic recovery and placing further downward pressure on the net worth of minority housegholds.[5]

The FHFA should encourage the Enterprises to find ways to address the housing needs of struggling minority communities and to increase levels of homeownership as a wealth and asset-building tools. Other possible additional Regulatory Activities include highlighting the importance of technical assistance and research and development to build the capacity of both lenders and borrowers in each market.

Question 4: Are the requirements for Objectives discussed appropriate, and should there be any additional requirements?

In general, the requirements under Sec. 1282.32(c)(3) of the proposed rule to meet the objectives are appropriate. However, in the Investments and Grants category, due to conservatorship, the FHFA does not intend to make grants eligible for DTS credit. OFN encourages the FHFA to reconsider that provision and allow the Enterprises to received credit for grants that provide critical subsidy for affordable housing projects in underserved communities, particularly those financed by CDFIs in our network. Many of the projects financed by CDFIs would not be possible without grant capital needed to secure and leverage financing.

Question 5: Should Duty to Serve credit be given under the loan products assessment factor for an Enterprise's research and development activities that may not show results in their initial phase, but which may be necessary for long-term product planning and development for underserved markets?

Yes, this research and development phase will be critical for piloting new programs and ideas, and to spur innovation in the marketplace. OFN supports allowing certain research and development activities by the GSEs to be eligible for DTS credit, so long as those activities target a specific underserved market.

Question 6: Has FHFA adequately defined the scope of extra credit for the proposed residential economic diversity activities? Has FHFA chosen the correct activities that should be excluded from qualifying for extra credit for residential economic diversity activities?

Manufactured housing communities should be eligible for extra credit for residential economic diversity activities. OFN encourages the FHFA to develop a methodology to estimate household income to gain a better understanding of the manufactured housing market. The proposed rule also allows the FHFA to exclude additional activities; we encourage the FHFA to make public, in additional guidance, which other activities will not count towards the credit.

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[5] Id at 2.

Question 9: Should public input be sought on the Enterprises' proposed Underserved Markets Plans and, if so, is there a more effective approach than the proposed approach?

OFN supports transparency and the opportunity to provide feedback on the draft plan to ensure the needs of underserved communities are being met. OFN agrees with the FHFA that soliciting public input could help the Enterprises to develop information about underserved market needs and how they might be met so that the Enterprises can make better judgments in formulating their Underserved Markets Plan Activities and Objectives.

We support requiring a brief public comment period before FHFA considers each GSE's Underserved Markets Plan. In addition, the proposed rule is unclear as to whether the many documents and datasets involved of the DTS process—including the final Underserved Market Plan, quarterly reports and annual evaluations—will be available to the public. We urge FHFA to make all relevant reports and datasets public within a reasonable timeframe, while providing necessary protections for proprietary information and other sensitive content.

Manufactured Housing Market--Proposed Sec. 1282.33

OFN applauds the FHFA for its efforts to support the financing needs of manufactured housing communities. The manufactured housing industry provides an affordable, viable alternative for many low-income people. According to OFN Member CDFI Mercy Loan Fund, manufactured housing represents the largest source of unsubsidized affordable housing in the U.S. - 50,000 manufactured home communities with 2.7 million households.[6]

Manufactured housing can be a low-cost, and often energy efficient, housing option that allows low-income homeowners the opportunity to acquire, maintain and re-sell their biggest wealth building asset. The Center for Enterprise Development notes that today's manufactured-housing market offers a high-quality and affordable entry into asset building for many families at a cost of less than half the average square-foot cost of a site-built home.[7]

However, manufactured homeowners face unique challenges relating to the financing and long-term retention of their homes. Manufactured housing owners own their homes but not the land under their homes, making them vulnerable to land rent increases and community closures, which can reduce equity accumulated in their homes. In addition, neglectful maintenance of services by absentee landlords can

[6] Mercy Housing, "EXPANDING RESIDENT OWNED COMMUNITIES", OFN Conference, October 2014, Denver, CO, http://conference.ofn.org/2014/docs/PunchingAbove-Gould_1015.pdf
[7] Anju Chopra, "2 Federal Actions that Could Give Manufactured Housing a Boost" CFED, February 2016, http://cfed.org/blog/inclusiveeconomy/2_federal_actions_that_could_give_manufactured_housing_a_boost/.

lead to health and safety issues.[8] According to the National Consumer Law Center, these issues cause homeowners to either sell their homes at a fraction of their original value; move them, which also causes the homes to lose value, or abandon them altogether.[9]

Resident cooperative ownership can be a viable solution to these problems, where homeowners form a nonprofit membership association or co-op that purchases the land and improvements. CDFIs in the manufactured housing space meet the needs of this underserved market by providing vital financing and technical assistance to resident-owned manufactured housing communities, and the results are promising. Rents in resident-owned communities (ROCs) tend to be below market rate, and homes in ROCs sell faster and for more money. Residents can invest in their home and community amenities, knowing that they are safe from eviction.[10]

However, due to the unique nature of some of the loans, and the individualized underwriting criteria needed for each manufactured home community, there are structural challenges that make it difficult to access the secondary market for these loans. A partner like Fannie Mae and Freddie Mac could greatly stimulate the availability of capital in the manufactured housing market: increasing liquidity for lenders and increasing options for homeowners.

OFN would like to comment on the following questions related to manufactured housing:

Question 11: Should Enterprise support for manufactured home loans titled as real property be a Regulatory Activity?

Yes. Manufactured homes are an important source of affordable housing, but there is a lack of access to the financing needed for low-income residents to achieve and maintain homeownership. Allowing the Enterprises DTS credit could enhance the availability of capital in this market, and provide opportunities for more low-income families to achieve homeownership.

Question 13: Should the Enterprises receive credit for purchasing chattel loans, on an ongoing or pilot basis? If so what improvements should be made in the process for originating and servicing that would make chattel loans safer for purchase by the Enterprises and safer for borrowers?

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[8] Id at 2.

[9] National Consumer Law Center, "Promoting Resident Ownership of Communities", MANUFACTURED HOUSING RESOURCE GUIDE, February 2015.

[10] Ibid. Anju Chopra, "2 Federal Actions that Could Give Manufactured Housing a Boost" CFED, Chopra on February 29, 2016, http://cfed.org/blog/inclusiveeconomy/2_federal_actions_that_could_give_manufactured_housing_a_boost/

OFN strongly supports the development of a pilot program to help the Enterprises understand the unique challenges associated with originating, financing, and servicing chattel loans for manufactured housing. Chattel mortgages are often less desirable than conventional mortgages due to shorter loans terms, higher interest rates, fewer protections during foreclosure proceedings, lack of private and government mortgage insurance, and a lack of lenders to provide adequate financing.

Through a pilot program, the Enterprises can gain greater understanding of the market, collect performance data on lending activity to guide future activities, and start to develop a secondary market for chattel loans. OFN also encourages the FHFA to support mission-driven ownership, resident-owned communities, and strong tenant protections for manufactured housing communities. The FHFA could consider awarding more DTS for support of nonprofit ownership and resident-owned communities like those financed by CDFIs.

Question 24: Should FHFA address geographic diversity of the Enterprises' assistance for manufactured housing as part of the Duty to Serve manufactured housing community financing needs, and if so, how?

The FHFA should ensure that the proposed rule ensures rural communities are able to participate, and that Enterprise activities reaching high-poverty, high-needs areas are receiving DTS credit.

Affordable Housing Preservation Market--Proposed Sec. 1282.34

Preservation of affordable housing is an issue of increasing importance. A confluence of macroeconomic factors like demographic shifts increasing the demand for rental housing and stagnant wages, coupled with the expiration of affordability restrictions on subsidized properties and an aging affordable housing stock has created a bleak outlook for housing affordability. The impact will be most severe in low- and moderate-income communities.

The nation's demographics, and along with it, the rental housing landscape are changing: 43 million households now live in rental housing as of 2015, an increase of nine million households since 2005. During that same period, only 8.2 million new rental housing units were added to the rental housing stock during this period, according to a study by the Joint Center for Housing Studies.[11]

The rental housing shortage is even more severe when affordability is considered. Over the past decade, wages have stagnated for most low- and moderate-income

[11] Joint Center for Housing Studies, "America's Rental Housing: Expanding Options for Diverse and Growing Demand", Harvard University, http://www.jchs.harvard.edu/americas-rental-housing.

workers while rents have steadily risen. The Census Bureau found that poverty levels in the US remain persistently high with no significant decline in the past four years even as the economy shows signs of rebounding.[12] At the same time, the supply of affordable housing coming online is not meeting the needs of low and moderate income communities. New multifamily housing units are primarily built for the high end of the market, with a median asking rent equaling $1,290 in 2013, or about half of the typical renter's monthly household income, resulting in an unprecedented affordable housing crisis.[13]

As a result of these stagnant wages and rising housing costs, the number of cost-burdened renter households spending more than 30% of their income on housing costs increased among all income groups between 2001 and 2014.[14] Among the lowest income households, more than 70 percent were severely cost burdened (spending more than half their income on rent) in 2014.[15]

In addition, much of the nation's affordable rental housing stock is at risk due to upcoming expiration of contracts between the federal government and private owners, allowing the owner the option to exit the government program and convert the property to a non-affordable use. In the next ten years, 2.2 million assisted rental units will reach the end of their mandatory affordability, many of which are at risk of being converted to market-rate housing or removed from the housing stock altogether.[16]

The costs of building new affordable housing are massive, and preservation of the existing affordable housing stock offers many advantages over new construction. According to OFN Member National Housing Trust, the cost of preserving a unit is typically 40% cheaper than building a new unit, making preservation a cost-effective method that ensures the federal subsidy and low-income restrictions remain in place, preserving long-term affordability.[17]

CDFIs are key partners in the affordable housing preservation market because of their ability to take small amounts of public funding and leverage it with private capital, increasing the available financing for preservation projects. The appendix contains examples of CDFI activities that support the development and preservation of affordable housing.

OFN would like to comment on the following questions related to affordable housing preservation in the proposed rule:

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[12] US Census Bureau, "About Poverty: 2014 Highlights", https://www.census.gov/hhes/www/poverty/about/overview/
[13] Id at 11
[14] Id at 11.
[15] Id at 11.
[16] Id at 11.
[17] National Housing Trust, "Frequently Asked Questions", http://www.nhtinc.org/preservation_faq.php.

Question 28: Should FHFA require that preservation activities extend the property's regulatory agreement that restricts household incomes and rents for some minimum number of years, such as 10 years, beyond the date of the Enterprises' loan purchase? If so, what would be an appropriate minimum period of long-term affordability for the extended use regulatory agreement?

We urge FHFA to establish rules that encourage the GSEs to preserve the long-term affordability of properties that are currently in their investment portfolios, especially those that are nearing the end of their initial 15-year affordability periods under certain federal programs. OFN supports providing DTS credit if the GSEs extend the mandatory affordability period for a subsidized multifamily property by at least 15 years, consistent with the Low Income Housing Tax Credit (LIHTC) program and other federal affordable housing programs.

Question 29: Should Enterprise purchases of permanent construction takeout loans on new affordable multifamily rental properties with extended-use regulatory agreements that will keep rents affordable for a specified long-term period, such as 15 years or more, receive credit under the affordable housing preservation market? What would be an appropriate period of long-term affordability for the extended-use regulatory agreements?

The preservation of existing affordable housing properties particularly buildings subsidized with expiring LIHTCs, Section 8 Project-Based Rental Assistance or USDA Section 515 contracts must be a priority for the DTS rule.

Question 30: Are there other ways the Enterprises can support the statutorily enumerated programs in addition to those discussed above?

OFN does not have comments on the individual programs delineated in the proposed regulations, but support the proposed rule's inclusion of all the major HUD-administered assistance programs that support affordable rental housing. CDFIs are active participants in most of the housing finance programs listed in the regulations and OFN urges that any efforts to create a secondary market allow for robust CDFI participation.

Question 46: Are there other affordable housing preservation activities for small multifamily properties beyond those discussed above that should receive Duty to Serve credit?

OFN also recognizes that programs related to preserving subsidized housing are an integral part of preserving the multifamily affordable housing stock. Most low-income renters live in unsubsidized smaller rental properties, and we urge the Enterprises to find ways to support the preservation of these properties as well. The GSEs should invest in multifamily housing that will expand affordable rental options in higher opportunity neighborhoods and contribute to the deconcentration of poverty.

Question 47: Should an Enterprise's purchase and securitization of loan pools from non-depository community development financial institutions, community financial institutions, and federally insured credit unions subject to the asset cap, where the loan pools are backed by existing small multifamily properties, be a Regulatory Activity?

OFN strongly supports the proposed rule allowing purchase of CDFI loan pools to be an eligible Regulatory Activity. OFN also recommends that credit be given for supporting CDFIs that invest in single and multifamily manufactured housing, as well as for shared equity models that preserve affordability.

Question 48: How could the Enterprises provide further support for the financing or liquidity needs of small multifamily properties? Should another type of support for small multifamily properties be a specific Regulatory Activity?

The GSEs could provide further support for the small multifamily housing market by providing liquidity through issuing or renewing lines of credit to CDFIs for preservation activities. Providing lines of credit allows the GSEs to partner with fiscally responsible, preservation-oriented lenders to expand capital for smaller properties or other properties that require project-specific underwriting. FHFA should also actively support predevelopment and bridge lines of credit to CDFIs to foster preservation, and GSEs should receive DTS credit for those activities.

Question 49: How could the Enterprises provide support for the liquidity needs of smaller banks and community-based lenders that finance small multifamily properties, for example by buying and securitizing loan pools these lenders have originated? What kind of Enterprise support would encourage these types of lenders to increase their financing of these properties?

The Enterprises could support the liquidity needs of CDFIs in the multifamily sector in a variety of ways:

- Equity or debt investments in CDFIs that specialize in aggregating capital to invest in preserving and rehabilitating smaller rental properties, like OFN Member Community Investment Corporation in Chicago;
- Providing Equity Equivalent (EQ2) capital to eligible CDFIs.[18] In addition to flexible terms and often below-market interest rates, EQ2 capital increases the CDFI's debt capacity by protecting senior lenders from losses;

[18] EQ2 is a financial product that is carried as an investment on the investor's balance sheet; is a general obligation of the CDFI that is not secured by any of the CDFI's assets; is fully subordinated to the right of repayment of all of the CDFI's other creditors; does not give the investor the right to accelerate payment

- Developing risk sharing partnerships that could extend the Enterprises' ability to underwrite debt on smaller properties with lower transaction and due diligence expenses; or
- Training and technical assistance to enhance lender capacity and product knowledge.

Question 50: Do the proposed definitions of ''community development financial institution,'' ''community financial institution,'' and ''federally insured credit union'' subject to the asset cap sufficiently capture smaller banks and community-based lenders for Duty to Serve purposes?

OFN agrees with the proposed definitions of "community development financial institution" and "community financial institution" as defined in the Federal Home Loan Bank Act.

Question 51: Should Enterprise support for multifamily properties that include energy improvements resulting in a reduction in the tenant's energy and water consumption and utility costs be a Regulatory Activity?

OFN supports energy improvements as an eligible Regulatory Activity. Improving the energy efficiency of housing, businesses, and community facilities can transform lives and communities by lowering operating costs, creating "green collar" jobs, and reducing carbon emissions. CDFIs provide financing for energy improvements for multifamily housing. Financing these projects is an emerging and growing segment of the opportunity finance industry, which is uniquely positioned to bring environmental sustainability and economic opportunity to low-income communities traditionally left behind by more mainstream energy efficiency loan programs. Enterprise support in this market through new products or loan purchases from CDFIs would provide a much-needed liquidity boost in the preservation market.

Question 57: How can the Enterprises work with potential lenders to facilitate financing for energy efficiency improvement loans on single-family properties?

The Enterprises could pilot a program for energy efficiency loan products like on-bill financing, a mechanism to finance the upfront costs of the purchase and installation of efficiency measures that has gained traction in several states. Typically, costs are paid for upfront either by the utility or one of its financial partners and a charge is added to the participants' utility bill until all costs are repaid. Financing is often provided through a system-wide public benefits charge, by a utility using its own ratepayer funds, or through a third-party lender act as program or loan administrators, like OFN Member Craft3, a CDFI that finances energy efficiency

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unless the CDFI ceases its normal operations; carries an interest rate that is not tied to any income received by the CDFI; and often has a rolling term or indeterminate maturity.

preservation through on-bill financing in Washington state. A pilot program with CDFIs in an administrative capacity would ensure prudent underwriting standards for the lending and provide a local partner for the GSEs with deep market knowledge and experience.

Preservation of Long-Term Affordable Homeownership Through Shared Equity Programs--Proposed Sec. 1282.34(d)(4)

OFN supports the requirement that Fannie Mae and Freddie Mac undertake Regulatory Activities that support preserving affordable homeownership for single-family properties under shared equity programs administered by a community land trust, a nonprofit organization or a state or local governmental agency. We urge the FHFA to explicitly include support of programs administered by CDFIs in the eligible Regulatory Activities.

Question 64: Are there additional ways that the Enterprises could support long-term affordable homeownership preservation?

The housing crisis has had an extremely negative impact on household wealth, in particular communities of color. A report from the Center for Global Policy Solutions entitled "Beyond Broke: Why Closing the Racial Wealth Gap is a Priority for National Economic Security," found communities of color paid a disproportionate price for the housing and financial crises and are a long way from receiving the benefits of the recovery. U.S. Census Bureau Survey of Income and Program Participation data show that between 2005 and 2011, the median net worth of households of color remained near their 2009 levels, reflecting a drop of 58 percent for Latinos, 48 percent for Asians, 45 percent for African Americans but only 21 percent for whites. Steep losses in homes and home equity in the lead up to and during the Great Recession contributed to more dramatic declines in the net worth of households of color."[19]

Closing the racial wealth gap will require the public and private sector to develop innovative solutions and partnerships. The Enterprises should continue to support solutions like Fannie Mae's program to sell distressed single family pools to mission-based lenders like CDFIs. CDFIs are already purchasing nonperforming loans through Fannie Mae's community impact pools that are structured to attract diverse participation from nonprofits, smaller investors, and minority- and women-owned businesses. In February 2016, OFN Member and nonprofit CDFI New Jersey Community Capital (NJCC), was the winning bidder on Fannie Mae's auction of a community impact pool of nonperforming loans. The pool contains 53 loans on properties in the Miami, Florida area with an unpaid principal balance of

[19] Id at 3.

approximately $13.2 million.[20] Support of innovative programs and efforts like those of NJCC are essential to finding solutions to our nation's continued housing crises, particularly in communities of color.[21]

Question 66: Should Enterprise support for affordable homeownership preservation be a Regulatory Activity?

OFN agrees that a comprehensive approach to affordable housing preservation should include strategies that preserve not only affordable rental housing, but also affordable homeownership. Accordingly, support for affordable housing preservation should be a Regulatory Activity eligible for DTS credit.

Rural Markets--Proposed Sec. 1282.35

Many of the challenges in the manufactured and affordable housing preservation markets are present in rural communities, but are exacerbated by a lack of access to capital and financial resources as well as technical capacity needed to finance rural housing.

The quality of rural housing is often poor, and choices are limited. Many rural homes are aging and in need of repairs and renovations. Homes that are available are often in need of extensive repair or improvements to just meet basic health and safety levels. The National Rural Housing Coalition found rural homes are more likely to be in substandard conditions, and nearly six percent of rural homes are either moderately or severely substandard, without hot water, or with leaking roofs, rodent problems, or inadequate heating or plumbing systems.[22]

Affordability is another issue in rural communities. Although housing costs are generally lower in rural communities, lower incomes and higher poverty rates make housing unaffordable for many rural residents. In addition, lack of access to affordable capital make developing affordable housing costly and difficult, and can make homeownership unattainable. OFN would like to respond to the following questions on rural housing:

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[20] Andrew Wilson, "Fannie Mae Announces Winner of Second Community Impact Pool of Non-Performing Loans", Fannie Mae, February 26, 2016, http://www.fanniemae.com/portal/about-us/media/financial-news/2016/6356.html.

[21] NJCC also previously purchased Fannie Mae's first Community Impact Pool through its affiliate, the Community Loan Fund of New Jersey in September 2015. To date, NJCC has acquired 761 troubled mortgages with a total of $193 million in unpaid principal balances and has facilitated the approval of more than 300 affordable mortgage modifications through its loss mitigation programs. Expansion of programs like these would allow CDFIs to deliver on the ground resources to their communities, helping homeowners avoid foreclosure and stay in their homes and communities.

[22] National Rural Housing Coalition, "Barriers to Affordable Rural Housing", http://ruralhousingcoalition.org/archives/1372

Question 68: What types of barriers exist to rural lending for housing and how can the Enterprises best address them?

Rural communities suffer from a lack of access to mortgage credit as well as fewer lending options than urban areas. Bank consolidation in recent years has led to closures of thousands of bank branches, and rural areas are even more impacted by the loss of banking institutions, especially local community banks. These communities already face economic challenges, and the loss of safe, affordable financial institutions exacerbates these problems. The lack of adequate banking coverage results in less competition and consumer choice, higher prices, and decreased access to affordable, responsible mortgage loans and credit.[23]

Even in those communities that do have a bank presence, low-income rural families can still struggle to access affordable credit. According to the National Rural Housing Coalition, local banks are often unable to provide low-income borrowers, many of whom do not have enough savings to contribute a large down payment with the low-cost mortgages they need.[24]

Lower incomes in rural areas also make it challenging to finance affordable multifamily housing. Housing developers can encounter cash flow problems because rents need to be low enough to accommodate incomes but high enough to cover the costs of debt service and operating the property. These cash flow challenges can make local lenders even more hesitant to finance rural housing deals.

The Enterprises could be a critically important source of liquidity for the rural housing market, particularly by providing credit enhancements to reduce risk and stimulate lending. The Enterprise activities should support mission-driven organizations like CDFIs or nonprofit housing developers, who play an important role in finding and financing rural housing deals.

In addition, rural communities often suffer from a lack of capacity of developers and lenders. The Enterprises should provide training and technical assistance to all stakeholders in the rural housing market, and to leverage the input and expertise of CDFIs working in these underserved markets to develop the content for the technical assistance.

Question 72: Should Enterprise support for housing for high-needs rural regions and high-needs rural populations be a Regulatory Activity?

OFN supports including housing for high-needs rural regions and populations as a Regulatory Activity.

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[23] Ibid.

[24] Id at 22.

Question 73: What activities could the Enterprises undertake to provide liquidity and other support to high-needs rural regions and high-needs rural populations?

The Enterprises could invest in, and provide liquidity, to CDFIs with knowledge of rural markets and communities. CDFIs have deep market expertise (particularly in communities of color and high-need rural regions), relationships with borrowers, ability to provide training and technical assistance to rural developers, and possess both the financial and technical acumen to finance rural housing transactions affordably and responsibly.

Question 77: Are there high-needs rural regions and/or high needs rural populations in addition to those identified above that should be included in this section, and, if so, how should they be defined to receive Duty to serve credit?

FHFA should consider providing credit for activities in persistent poverty counties not served by the current definition of rural, as well as high-needs rural regions in Puerto Rico.

Extra Credit for Residential Economic Diversity Activities— Proposed § 1282.37

Question 84: Should FHFA consider other or additional definitions of ''area of concentrated poverty?'' For example, should FHFA consider adopting a definition similar to HUD's proposed designation of census tracts by racial and ethnic concentrations of poverty (RCAPs and ECAPs), which are census tracts with a non-white population of 50 percent or more and a poverty rate that exceeds 40 percent or is three times the average tract poverty rate for the metro/ micro area (whichever is lower)?

The FHFA should consider adopting a definition that accounts for concentrated poverty in communities of color, and award extra DTS credit for Enterprise activities that provide targeted solutions to address the needs of these under resourced populations.

Conclusion

OFN commends the FHFA for providing leadership in developing loan products and flexible underwriting guidelines to facilitate a secondary market for mortgages on housing for low and moderate-income families in underserved markets.

CDFIs continue to play a critical role in the nation's housing finance system, and have proven to be prudent, responsible lenders even during the recent housing and economic crisis. Any robust housing finance system should support the work of CDFIs, and the Enterprises should work with CDFIs to deliver solutions to some of the most difficult housing challenges facing under-resourced communities.

We appreciate the opportunity to comment on the FHFA's proposed rule on the GSEs Duty to Serve Underserved Markets. Please do not hesitate to contact me if you have any questions.

Thank you,

MPinsky

Mark Pinsky
President and CEO

Appendix: CDFIs and Underserved Markets

Manufactured Housing

- **CASA of Oregon -** The Manufactured Housing Park Preservation Loan Program provides secondary financing for acquisition of a Manufactured Housing Park (MHP) by a Cooperative (co-op), whose members are seeking to purchase their park. Manufactured Housing Parks with 100% owner occupied units, no investor owned units. No more than 10% of the spaces may be RV spaces. Loans are for up to $500,000, with a loan to value ratio up to 120% of appraised value of property. CASA requires affordability to be guaranteed for the original term of the loan.

- **CDFI Collaborative Demonstration Program -** Three OFN Members: ROC USA Capital, the Leviticus 25:23 Alternative Fund, and Mercy Loan Fund, are working together to help transform manufactured home communities through resident homeownership. The CDFI Collaborative provides customized loan products, financial leverage and loan servicing, including pre-development loans, commercial mortgage acquisition loans, and rehab financing. The collaborative' s efforts to expand lending to preserve and revitalize manufactured housing communities are expected to transform at least five low and moderate income communities through resident ownership, preserve 375 affordable homes and impact 750 individuals.[25]

- **ROC USA Network** ROC USA Network is a network of nonprofit community development organizations that enables resident ownership of manufacturing housing parks. The Network is a partnership among New Hampshire Community Loan Fund, The Corporation for Enterprise Development ("CFED"), and NeighborWorks America to support ROC and help organize the supply and demand for manufactured housing. ROC USA operates subsidiaries: a national network of nine TA providers and ROC USA Capital provides home financing & serves as a market-based system change strategy.

Affordable Housing Preservation

- **Atlanta Neighborhood Development Partnership** provides acquisition/rehab and construction financing for affordable single-family projects and bridge and construction financing for high-mission affordable multifamily projects, with a focus on projects that serve neighborhoods highly impacted the foreclosure crisis. Since 1991, the ANDP Loan Fund has lent $36 million to finance 4,997 units of affordable and mixed income housing in

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[25] Id at 2. Mercy Housing Fact Sheet

metro Atlanta. The majority of households who purchase or rent housing financed by the ANDP Loan Fund earn below 80% Area Median Income. ANDP's borrowers are local affordable housing developers (nonprofits and mission-driven for-profits) who have proven track records in low-income neighborhoods, and gives priority to funding those developers engaged in foreclosure redevelopment of single family homes.

- **CEI** creates sustainable real estate development and affordable housing opportunities for the people of Maine through new construction and rehabilitation of existing properties. CEI is both a developer of and a lender to commercial real estate and affordable housing projects, multi-family and supportive housing and provides bridge loans, construction and predevelopment lending to other nonprofit and for-profit developers of affordable housing. CEI has directly created or preserved 1,587 housing units, including multi-family, homeownership and supportive housing. The vast majority, 96%, are affordable units.

- **National Housing Trust** is a DC-based CDFI with a national service area that protects and improves existing affordable rental homes so that low income individuals and families can live in quality neighborhoods with access to opportunities. The National Housing Trust has preserved or helped to preserve more than 25,000 affordable homes through real estate development, lending, and technical assistance.

Rural Housing

- **Housing Assistance Council** (HAC) is a DC-based national CDFI that helps local organizations build affordable homes in rural America since 1971. HAC assists in the development of both single- and multi-family homes and promotes homeownership for working low-income rural families through a self-help, "sweat equity" construction method by emphasizing local solutions, empowerment of people in poverty, reduced dependence, and self-help strategies. HAC offers services to public, nonprofit, and private organizations throughout the rural United States and maintains a special focus on high-need groups and regions, such as: Indian country, the Mississippi Delta, farmworkers, the Southwest border colonias, and Appalachia. HAC makes short-term loans for predevelopment, acquisition, construction, self-help housing, and preservation at below market interest rates to local nonprofits, for profits and government entities developing affordable housing for low-income, rural residents. Loans are used for a wide variety of housing development purposes, for all types of affordable and mixed income housing projects, and for both rental and ownership units.

- **Impact Seven** is a CDFI dedicated to preserving multifamily rental properties as affordable housing for very low-income individuals and families in rural Wisconsin. Impact Seven is piloting a program to preserve affordable housing financed originally through the U.S. Department of Agriculture's Rural Development Section 515 Loan Program by helping mission-based, nonprofit organizations acquire these expiring properties and keep them affordable. The initial pilot will preserve and rehabilitate 120 units most at risk for critical neglect or conversion to market rate, and could potentially preserve as many as 50 percent of Wisconsin's most needed and viable USDA 515-funded projects by 2020.

- **Rural Community Assistance Corporation** supports nonprofit organizations to develop affordable housing and community facilities in the rural West. The organization's goal is to encourage and build a rural affordable housing network so each state has access to nonprofit organizations that develop affordable housing in rural areas. RCAC offers many services—from technical assistance to consulting to partnering, and encourages partnerships with nonprofit organizations that develop housing on tribal lands and within colonias. RCAC has collectively developed or financed thousands of rental and homeownership affordable housing units during the past 40 years. RCAC also develop or assist in the development of affordable, for-sale homes, and has extensive experience using public finance programs like Low Income Housing Tax Credits (LIHTC), USDA Rural Development 515, project-based Section 8, local and state resources, as well as accessing conventional financing.

High-Needs Rural and Native Communities

- **Citizens Potawatomi Community Development Corporation** (CPCDC) provides financial products and counseling services to the Citizen Potawatomi Nation members and employees nationwide as well as Native American owned-businesses throughout Oklahoma. CPCDC provides business development services, financial education and credit counseling, asset builders matched savings program, commercial loan program, national American Indian/Alaskan Native business opportunity & workforce development center. To date, CPCDC has made 251 commercial loans totaling nearly $24 million and 2,423 short term consumer loans worth $3,031,439.

- **Fahe** is a 501(c) 3 nonprofit CDFI that serves Appalachia through affordable housing, community development, and job creation. FAHE is a network organization with members and partners operating throughout the Appalachian region that serves tens of thousands each year by providing a platform for peer exchange, training, technical assistance, and access to capital and finance opportunities. The Fahe Membership Network consists of 50+ nonprofit housing organizations across the six states of Kentucky, Tennessee, West Virginia, Virginia, Alabama, and Maryland. By collaborating with organizations that are an established part of the community Fahe can more effectively impact regional issues such as energy efficiency, health, education, and the growing need of their large elderly population. Since its inception in 1980, Fahe and members have served more than 200,000 Appalachians with housing, made over $469 million in direct investment, and achieved a total cumulative financial impact of over a billion dollars in the Appalachian region.

- **Hope Enterprise Corporation** is and CDFI and a family of development organizations dedicated to strengthening communities, building assets and improving lives in the Delta and other economically distressed parts of Arkansas, Louisiana, Mississippi and Tennessee. Comprised of a regional credit union (Hope Credit Union), loan fund (Hope Enterprise Corporation) and policy center (Hope Policy Institute), HOPE has provided financial services, leveraged private and public resources, and shaped policies that have benefited more than 650,000 residents in one of the nation's most persistently poor regions.