Toi Roberts: Hello and welcome to the Federal Housing Finance Agency's Duty to Serve Public Listening Sessions on the Enterprises' Proposed 2022-2024 Underserved Market Plans. I am Toi Roberts, a member of the Duty to Serve team and I will be emceeing today's session and this session is being recorded.

Today we will hear comments on Fannie Mae and Freddie Mac's proposed new plans for the rural housing market. But before we get started, I'd like to first introduce you to the lead of our Duty to Serve team, the Managing Director of Duty to Serve, Ms. Marcea Barringer.

Marcea Barringer: Thank you Toi. I'm Marcea Barringer, and I'm the Supervisory Policy Analyst for the Duty to Serve Program at FHFA. Acting Director, Sandra Thompson, was originally scheduled to provide opening remarks this afternoon and she's very sorry that she's unable to do so.

Instead, it's my pleasure to introduce Ted Wartell, who certainly knows the Duty to Serve program very well, and who will be providing our opening remarks. Ted is the Associate Director for the Office of Housing and Community Investment in the Division of Housing Mission and Goals at FHFA. He oversees FHFA Regulation of the Enterprises' Duty to Serve and Housing Goals, as well as the Federal Home Loan Bank Systems' Affordable Housing and Community Development Programs. Ted.

Ted Wartell: Thanks so much, Marcea and good afternoon everyone. Let me start. I just want to relay regrets from Acting Director Thompson. She, I hope all of you saw her public statement when she, really the first day of her appointment, where she really emphasized the importance of the Affordable Housing Missions of Fannie Mae and Freddie Mac. And we talked to her about these sessions really just in the first couple of days after she was in her new position.

And she was very enthusiastic about being able to kick off all three of these sessions this week. Something came up, a personal matter came up really just at the end of last week, so she's not able to make it today. We're hopeful that she'll be able to be back and make the last session on Wednesday.

That said, let me say thank you to everyone here today who is going to speak and who is also here as part of the audience. I think people on this call understand pretty well the importance of the comments that we hear in the sessions that we'll have this week. And that we receive on the RFI, to the creation of the underserved markets plans under Duty to Serve.

I know that Fannie Mae and Freddie Mac will incorporate things that they hear this week into the next draft of their plans. I know that we will incorporate a lot of what we learn over the next three days, and again going over our comments on the RFI into our informal and then our formal comments to them on those plans.

And the plans come at, you know, an extremely important time. You know, Duty to Serve, as you all know, is not a startup anymore. We have well over three years of experience now with -- on the ground with the specific activities that the Enterprises have been working on.

And so I think that we are very interested to learn and to listen for your impressions of what the impacts has been, what they should continue to do, or what adjustments they should make, where they should stay the course, or change course and what their priorities should be.

So I will say despite the challenges of last year, both Fannie Mae and Freddie Mac certainly had successes in the rural market. Freddie Mac, in fact, in their second Rural Research Symposium, I think was able to increase their attendance by 100 percent, or something like that, due to the fact that it was available virtually. Fannie Mae, I know also is implementing training program for Native American CDFIs. Both Enterprises were certainly active in my sector investments in rural areas.

But we have already talked to both Fannie Mae and Freddie Mac about doing more, having greater impact. I think that both comes from our office, and I think it's also been emphasized by the new Acting Director. So very much interested in hearing everyone's thoughts on those questions today. So let me thank you all again. And I believe I'm throwing it back to Toi, who will introduce the new -- the first speaker.

Toi Roberts: Thank you, Ted. Before we move forward with the remainder of the agenda, I do have a few important housekeeping remarks. As you know, we have organized this webinar in order to obtain your input on the Enterprises' Proposed 2022-2024 Underserved Market Plans for the Rural Housing Market.

During today's session, FHFA will not discuss the status or timing of any potential rulemaking. If FHFA does decide to engage in a rulemaking on any matters discussed at this meeting, this meeting would not take the place of a public comment process. The rulemaking document would establish the public comment process and you would need to submit your comments, if any, in accordance with the submission instructions in that document.

FHFA may summarize the feedback gathered at today's meeting in a future rulemaking document if we determine that a summary would be useful to explain the basis of a rulemaking.

Also please keep in mind that nothing said in this session today should be construed as binding on or a final decision by the FHFA Director or FHFA staff. Any questions we may have are focused on understanding your views and do not indicate a position of FHFA staff or the agency.

All right, now with that said, we do have a great lineup of speakers for today. We will hear from ten guest speakers. And midway through we will have a short ten minute break. Each speaker will have up to ten minutes to speak and we will try our best to stay on schedule, and ask that everyone speaking help us to do so as well. I will chime in to give speakers a one minute warning as their time draws to a close. If someone does go over their time, unfortunately, I will have to interrupt you in order to keep us on schedule.

Each speaker will have the ability to mute and unmute their microphones throughout the session. But we ask that you keep your microphones muted until it is your turn to speak. We also ask that all speakers be prepared to turn on their video cameras during their speaking segment.

Finally, as I mentioned earlier, we are recording today's session. FHFA will also prepare a transcript of today's session and will include the names of all speakers and the organizations you represent. We will post this recording and transcript on FHFA's website and our YouTube channel along with any materials being presented today.

All right, so now, before we begin to hear from our guest speakers, each Enterprise will give a brief opening statement and as we close they will also give closing remarks. So first up, we will hear from Fannie Mae. And speaking from the Fannie Mae Duty to Serve Team is Mr. Mike Hernandez.

Mike Hernandez: Hey, Toi, thank you. Toi, will you have my slides or should I share my screen? You've got them there, perfect. Thank you very much. All right, so I'll just let you know when we're -- time to change.

So good afternoon everyone. My name is Mike Hernandez. And I'm Fannie Mae's Vice President of Engagement and Impact. And it's really my pleasure today to share with you a quick overview of our key accomplishments in the Rural Housing market, as well as ways that we're continuing to build on that work in our 2022-2024 Duty to Serve Plan.

Fannie Mae's purpose and mission of course is to ensure that there's liquidity in the single family and multifamily mortgage markets everywhere all the time, while improving access to sustainable mortgage finance for those of modest means. And our Duty to Serve activities complement that core mission, they challenge us to do more to increase our mortgage credit beyond our current investments in the three challenging markets, manufactured housing, rural housing and preservation of existing affordable housing.

We have an excellent Duty to Serve team and they're all on this call today. But we can't do this work without you and your collaboration and your support. So thank you for that. And thank you also to our friends at FHFA, who have supported us through these first three years. As Ted said, this won't be our first rodeo, so we're looking forward to the next three years.

Thank you all again, as we look to test and learn new activities, and as we tackle new challenges. So together, we are making a difference in the areas that are needed most through Duty to Serve.

So let me highlight for you some of our key multifamily and single family plan accomplishments from the last three years. So if you'll jump to slide three, Toi, one more. Thank you, ma'am.

So in multifamily over 20,000 units of affordable housing financed in high needs rural regions. We also reestablished our low income housing tax credit investment business and partnered with syndicators to invest in 205 rural properties.

Our multifamily investments represented $5.1 billion in loan deliveries from rural small financial institutions, and about 5.7 billion in liquidity to high needs rural regions.

On the single family side, we expanded support for the mortgage lending program sponsored by community development financial institutions. And we grew affordable rural loan acquisitions as compared to the prior period in our Duty to Serve plan.

We also gained critical insights on business strategies, and servicing and marketing trends of small financial institutions who are critical to serving rural areas. We launched several marketing campaigns in key geographies to drive affordable product adoption.

And we aligned our conventional eligibility guidelines to better serve Native American homebuyers on tribal trust lands. So let's jump to slide five. Thank you, Toi.

So now looking forward to our next three year plan. Our loan purchase growth continues to expand, and we will lean into our work with small financial institutions and Native CDFIs to better support their capacity and needs. And our plan indicates that by 2024, we plan to increase mortgage purchases from small financial institutions by 16 percent over our baseline.

We'll continue to focus on down payment assistance initiatives that improve access to affordable housing, and we'll expand our loan purchases of single family mortgages serving high needs rural regions. And by 2024, our objective is to have a nearly 40 percent increase over our starting baseline. If you can jump to slide six. Thank you, Toi.

On the multifamily side, we'll continue our current work underway and look forward to ways to expanding in such areas as continuing to bring much needed equity capital to rural markets through our low income housing tax credit investments. We'll also continue our work with RD on supporting 515 financings, especially for high needs rural regions. And we'll expand our loan purchases of multifamily properties serving high needs rural regions. And by 2024, nearly 21 percent increase over our baseline in multifamily loan purchases.

So we have some pretty ambitious objectives, a lot of work to be done, and a lot of initiatives to pursue. So let me close there in the short minutes that I have by just saying that we are very proud of our achievements under Fannie Mae's Duty to Serve plan. And we look forward to ramping up and building on our success in 2022 and the years to come. And we know that we can continually look for ways that we can improve our plan.

All of us at Fannie Mae are committed to finding new ways, new partners, and opportunities to support these Duty to Serve markets, and to help families find sustainable, safe and affordable place to call home. So thank you again for your time this afternoon. And thank you so much for participating in this important session, providing your feedback, providing your suggestions. As Ted said, we do hear you, we do listen to these and we do adjust our plans based on your feedback. So thank you again. And now I'll turn the presentation back over to Toi.

Toi Roberts: Thank you Mr. Hernandez. Now we will hear from Freddie Mac, speaking from the Freddie Mac Duty to Serve team are Mr. Mike Dawson, Mr. Corey Aber and Mr. James Cromartie.

Mike Dawson: Well, thank you, and thank you all for joining. Again, I'm Mike Dawson, Vice President of Strategy and Policy in our Client and Community Engagement area. So on behalf of Freddie Mac, I do want to thank you all for taking the time to be here today, both in speaking and listening in on the presentations here.

We value your support and partnerships over the last several years and your dedication to rural housing and communities within the rural areas. Industry participation is essential and critical to the success of Freddie Mac's plans. And your partnerships over the years has driven those plans and those successes within there.

There's a lot more to do. But we look forward to hearing from you today. And to continue to working with you over the next several years in supporting these markets and the successes of our plan. With that, let me turn it over to Corey and James, who will take a little bit of a deeper dive into those plans.

Corey Aber: All right, thanks so much, Mike. I'm Corey Aber, Senior Director of Mission Policy and Strategy at Freddie Mac - Multifamily. And Toi, you can advance the slide.

So we'll take a quick look back at, you know, me and James, we'll talk a little bit about what we've done over the first three and a half years of our plan. And then we'll look forward at what's in our draft of this next plan. And as Mike said, we're really looking forward to hearing from you today and getting some ideas for where we can fill in.

But, you know, again, there's that commitment in the first several years and going forward to increase liquidity and improve investment capital in rural markets, and in all of the Duty to Serve markets. We focused a lot on building a strong foundation for what we can do over time, but also having immediate impact over those years. And we look to continue that and with a stronger focus on the impact going forward.

A lot of that has been on the both thought leadership side and a lot of collaboration and partnership with all of you. But it's also been a big focus on loan purchases and LIHTC equity investments, where we felt we could make a real difference in those markets. And through all that we've looked to transfer risk away from taxpayers and attract private capital to these markets, and you know, to run a sustainable business over time. You can advance to the next slide again.

So just taking a look back, and I'll highlight a few multifamily activities, and then turn it over to James to highlight some single family activities. Now in rural markets, LIHTC equity investment was a big deal. And where we felt we could have and did have a high impact. And you can see on the screen, 50 properties across rural markets over the first three years of our plan, and that equates to about $350 million in LIHTC equity investment.

And that's meaningful, not just because of the properties we supported and all the families and communities we helped, but also when we look in terms of the overall market share, our share of investments in rural markets was greater than the industry's share overall. And we're looking to continue that level of commitment.

We also spent a lot of time working with USDA over the first several years of the plan. And during those first three years, we weren't able to come to terms on a subordination agreement and start purchasing loans. But after the first three years of the plan we did. So this year, we purchased our first loan on a 515 property and we're committed to doing more of that over time.

We also spent a lot of time on some groundbreaking research in rural markets, not just multifamily papers but also the Rural Research Symposium. And James, I'll turn it over to you for more highlights.

James Cromartie: Thanks, Cory. I'm James Cromartie. I'm in single family and I'm on the Duty to Serve team. And I'm actually responsible for our rural lending component as it relates to Duty to Serve. So during our first plan cycle, as everyone has said, we're not new to this rodeo. We've entered new markets, we've created new and enhanced offerings, we've established partnerships and I'm going to come back to that piece in a second. The partnerships are extremely valuable to actually making a difference in this market.

We've done research to deepen our understanding and to inform the strategies that we're implementing, and we're talking to you guys about as often as possible. I think that the partnerships that we have tried to foster and we have enhanced with many of you on the call today have been instrumental in all of the successes we've had.

Just to name a few, we have introduced the Rural Research Symposium. And as was stated earlier, in 2020, we doubled our attendance, because we were able to offer that value added tool, free of charge, and we were able to do that virtually. More people joined, more people had a chance to participate and lend their insights. And we had a chance to hear, hear more from more people.

We formed many partnerships with various Native American nonprofit's to include CDFIs. And that's important for us because we have to really understand your market, your buyer, and how your buyer needs to be met in terms of conventional lending.

We've developed training curriculums. We also understand that valuation of properties in rural areas is different from valuing properties in metro areas. And there's different skills and different tactics and strategies you can use to make that available. And we rolled that out and made sure it was available wide spread to appraisers around the country.

And last but not least, we rolled out a renovation product suite in order to address the aged housing that can be found in some rural areas. As everyone has said, we have increased our loan purchases, which ultimately increase the liquidity that is available in these rural markets. And most importantly guys, every loan that we purchase, potentially has a life changing opportunity for at least one household in these areas.

So with that, I'll turn it back over to Toi, and again, appreciate you for being here. We look forward to hearing your feedback.

Toi Roberts: All right. Well thank you, thank you. And so now without further ado, we will begin hearing from our guest speakers. The first speaker is Mr. Lance George, from the Housing Assistance Council. Mr. George.

Lance George: Thank you Toi. Hi everyone. And again, as Toi said, this is Lance George from the Housing Assistance Council. First we'd like to thank FHFA for convening this robust discussion. And we're really encouraged to see the panels and also the number of participants. So we encourage you all to be engaged in this issue.

I have a few slides if maybe we can share those just to quickly start out. So the Housing Assistance Council, just to give people a background for those of you who don't know us, we are a national nonprofit organization that supports affordable housing efforts in rural America. I often like to say, you know, that helps support. That's the operative word. We don't build or develop housing ourselves, we work with local community based entities who build, develop, preserve, maintain almost any element of housing that you can imagine, we help support them. And that's the kind of the key focus. That's what we do. So we're really hopefully representing some of those communities today in this discussion.

And also just to note that one particular element that I think is salient to today's discussion, is we were founded to help support the poorest of the poor in the most rural areas. And sometimes that really relates to the communities that we're talking about in today's discussion. So Natalie, if you could advance the slide, thanks.

Just very quickly, we're looking forward to today's discussion, we're going to basically present three items. We'll kind of go over three items, what we know, what we don't really and what we want. And I would say, so we're going to kind of look at just some Highline points of Rural Duty to Serve in the market, what the GSEs have presented from our perspective, and what should they be doing in relationship to those plans.

And then finally I would say, we'll probably be, and I think this is tax -- oftentimes tax role, we will be maybe a little more general in our comments. We do have very detailed, specific comments for our written submission that's due later this week, and we encourage everyone to submit those as well. But we'll generally go over some larger principles that we think should be invoked in Duty to Serve. And then we will maybe allude to some more specific elements in that discussion. If you could advance the slide, please.

So I would make a very quick point here about Duty to Serve in the rural context, and I'm not going to -- many people are very familiar on some of our positions here. But I would say that I think, and I know this is somewhat biased, but the rural is one of the most important of the three markets. It's actually kind of the Nexus that cross pollinates among all three of those. Notably, most manufactured homes are in rural markets and some of the preservation challenges in rural communities are very unique. So I think rural is integral to all three to Duty to Serve in a very holistic way. Not just this rural market, I think it's a catalyst, and it also cross pollinates a lot.

I would just also return to and remind everyone on the call, and I know that the Enterprises who we're looking forward to discussing and working with, you know, that they, you know, their business model oftentimes is working at scale and standardization, large level of scale and standardization. And in sometimes rural communities, we have different scale of standardization. We're very geographically spread out with relatively few people. So those are different.

And I would say we're just really encouraged to be involved in this discussion. HAC has been involved in Duty to Serve since its inception in 2008 or 2009, when the law was passed. And we have continued to kind of move on and at various junctures. And I think this is an important juncture right now, as several people have noted, where we are now kind of the boat has sailed away from the pier and we are out in the deeper waters on Duty to Serve. If you could, Natalie, please advance the slides.

So I'll very quickly go over just a couple of points from HAC's perspective and some of our analysis what the GSEs are doing in rural communities. We did get really good presentations from both Fannie Mae and Freddie Mac. But these are from our perspective as well. So if you could advance the slide.

This is just a straight recitation from FHFA's report that was presented a couple of weeks ago, mostly on their goals to purchases. And we'll come back to this, or the targets to purchase activity for both Fannie Mae and Freddie Mac. I just wanted to kind of present that, but really maybe move on to the next slide.

And give an illustration where in many of those, if you noted in the previous slide, that both of the Enterprises had largely met or exceeded their goals or their targets. And that's often been the case over the past three to four years of Duty to Serve. And I think the GSEs deserve some credit for that.

But at the same time, we think there's still work to be done. So this map illustrates, and this is just a geographic illustration, related to sometimes you see a lot of text and I think this might be an important illustration, because geography is really important, particularly for this market in the rural market.

So the map illustrates the number of purchases to originations, it's a ratio of purchases to originations. And this is the most recent data, it was released a few days ago, the 2020 Home Mortgage Disclosure Act data.

And just to give you a quick overview of the math, the darker the color is where the inner -- where -- and this is for Fannie Mae, we have one for Freddie Mac as well. Where Fannie Mae made the darker blue is where they made a higher level of origination. The lighter color greens and oranges were lower level of origination. So if it's green, basically less than 20 percent and lighter green, they made less than ten percent of the originations that were made in those communities. They purchased them, I'm sorry. And then the orange areas where there were no purchases. So Fannie Mae did not make any purchases in the communities where they're orange.

And if you'll just advance the slide, the next slide, this is just windows down to actually what the high need areas are, Central Appalachia, or they call it Middle Appalachia in Duty to Serve, the Lower Mississippi Delta in the Rural Southeast and persistently poor communities, the border colonies.

So you do see I think there, while they exceeded their goals, there's still some work to be done here. You see lighter areas of less purchase activity and some areas where there were no purchases at all. But to be fair there are a few, just a very few. This is not as much as there were in past year. There were places where there were no origination, so there's no way that Fannie Mae and Freddie Mac can make purchases there. And these are for the single family. But that is largely changed.

So we'll just move and to give equal time, show the geographic distribution of purchases for Freddie Mac. Again, this same concept, the darker the blue the higher level of purchase originations and the lighter colors and orange were -- would be no purchases. And again, just honing in on the Duty to Serve. So please advance the slide.

So you'll see maybe a similar concept in some of these communities. There have been gains made. But in other communities, we still see somewhat of a dearth of activity of purchases in some of the high need rural communities. And obviously areas where there were no purchases at all. I think that's where we need to work. So if you could please advance the slide, Natalie. Thank you.

And we will spend the remainder of our time going over some higher line -- some specific elements from the plans. But again, we'll provide more detail in our written plan. So we do think while there have been some successes, both GSEs should establish more ambitious purchase goals.

If our math is correct from the last year's plan, Fannie Mae met 161 percent of their purchase goals, Freddie Mac made -- met 181 percent of their -- and these are single family purchase goals. Granted, last year was somewhat of an anomalous year. There were a lot more refi activity. But as Ted noted in his opening remarks, this is not a startup anymore, we are well into the GS -- into the Duty to Serve, the actual activity. And I think we need to have more ambitious activity.

And also a way to kind of bench line or baseline that would be to have the baselines at least have some element of the calculation, not on the GSEs' prior activity, but what's the activity from the actual market is, the originations from the market.

So secondly, we do believe, excuse me, sorry one second. To boost rural GSE activity, we think there should be additional targeting or resource allocation. So one example of this, and we're going to provide more details in our written comments, would be specific targeting in that capital magnet fund allocations to rural Duty to Serve markets.

We know that might not entirely be under the purview of FHFA. But we think that you could help advocate for that. It might also fall within the Treasury Department. But we believe additional targeting would also help additional goals and additional activities in Duty to Serve rural markets.

We also I think it's important especially in this time and in this era, that equity inclusion are integral to Duty to Serve, rural Duty to Serve markets. There are about 2,000 census tracts in rural America where the majority of the population is either a racial or ethnic minority. And I don't have that math today, we're going to have it in our in our comments. But most of those communities are in these areas that we just highlighted that are rural Duty to Serve specific communities.

So we do believe that racial and equity -- race and equity are important components of this and rural DTS efforts should be coordinated and tied to external diversity and inclusion commitments and resources by both of the GSEs.

Toi Roberts: One minute remaining.

Lance George: Okay. We do believe there should be greater coordination within the GSEs of their activity. Sometimes we find that their activity is a segmented between multifamily and single family, we'd like to have a more explicit point of contact.

I would have to say one element where we will comment, we did note that there was a concerning omission of the Colonia communities in both of the GSEs' plans. Fannie Mae has done some really good work in the Colonia, but we think that that could be advanced. And we'd hope that there would be focused on all of the high need areas listed in the original legislation, not just selectively. And the Colonia communities were particularly one.

We need additional research in in high need rural communities. Freddie Mac's symposium is wonderful, but we want to advance that and actually move what were some of the lessons learned from that.

Finally, and I think one of our more important points is, we need multi sector participation investments in Duty to Serve so it can reach its full potential. It's not just the GSEs, it's Fannie Mae, Freddie Mac, FHFA, local partners and also financial institutions. So we need greater participation and coordination among the larger entities. So we really thank you for your interest and attention. Thank you.

Toi Roberts: Thank you, Mr. George. Okay, so our next speaker is Ms. Suzanne Anarde from the Rural Community Assistance Corporation. Ms. Anarde.

Suzanne Anarde: Good morning, afternoon. I am Suzanne Anarde. And I have the honor of serving as CEO of Rural Community Assistance Corporation, known as RCAC. We serve the rural west and indigenous communities in the western 13 states, including Alaska and Hawaii.

RCAC is a regional CDFI with a $200 million loan portfolio, 7.5 million, or 30 percent of the persistent poverty population reside in RCAC service area. Of this population, nearly half are women. Additionally, 63 of our service area counties are classified as persistent poverty child counties. And the average poverty rate in our indigenous communities is over 30 percent.

We are one of six CDFIs steering to medium committee members leading the partners for rural transformation. We serve three quarters of the country's persistent poverty counties, collaborating to strengthen rural and indigenous economies, generating local wealth that sticks and building power and voice for those living in some of the most disinvested parts of the country.

Thank you for allowing me the opportunity to address you today. The concept of Duty to Serve and the recognition of the need for capital to support homeownership in these underserved communities is critically important. Now more than ever, as the pandemic has shed a vicious [inaudible] on the inequities in our country, particularly persistent counties -- persistent poverty counties, where of the 395 counties [inaudible] out of ten are rural and/or indigenous.

We truly appreciate the GSEs efforts and intent in reaching rural and indigenous communities. Our colleagues at Fannie Mae are sincere in their intent and commitment. And I'd like to acknowledge that and express appreciation. Freddie and Fannie have a unique opportunity and call to serve those who are underserved by traditional mortgages and many other markets.

[Inaudible] as grass root conduit's [inaudible] matures over the years, and particularly during the pandemic, our Paycheck Protection lending programs are a prime example of reaching those at the very center of persistent poverty regions with much needed resources. When -- with all due respect, when the bank said no, or simply did not respond, CDFIs did.

It is somewhat of a misnomer to say that CDFIs are having a moment. RCAC has been in the trenches for 42 years providing access to homeownership and mortgages, before the world decided to shine it's spotlight on us. We're deeply rooted in our communities and it is an honor to be here today to elevate the voices of those communities.

While we may refer to our communities as underserved and impoverished, make no mistake, you will find -- you will not find communities with more drive, innovation and resiliency than rural and indigenous communities.

I'd like to focus on opportunities for the GSEs that are unique to your position and place in the financing universe. As I outline these, I encourage you to use a phrase I often use within RCAC when we are faced with a challenge or looked at stretching our resources, both human and financial. If not us then who, and if not now then when.

Understanding the depth of impact that GSEs could achieve nationally in persistent poverty communities is a critical component of truly becoming a change agent and shifting the power paradigm.

Single family housing is really key to the American dream. Creating a CDFI preferred product that allows for exceptions from income limit's in high needs rural and persistent poverty areas would be a welcome advancement. Rural area and median incomes in rural and indigenous persistent poverty areas should not be a further barrier for homeownership. Scaling mortgages for delivery to the GSEs continues to be challenging. Excuse me.

Creation of a broker network that supports aggregation or bundling of mortgages from PPP, from Persistent Poverty regions would allow for scale. Down payment assistance is often the biggest challenge faced by first time homeowners in our communities. Implementing a down payment assistance program that complements 100 percent LTB mortgage products, is central for low income borrowers to also cover closing costs.

This could be structured as a deferred repayable loan. The pandemic has dramatically impacted cash flow and economic circumstances of lower income families in rural and indigenous communities, and those of colors. Indeed, it has deepened the economic [inaudible] in our communities.

There's an acute reaction [inaudible] to occur across our nation, and how we match actual grass root needs and the abilities and opportunity resources available. I don't profess to know how to do that within the GSEs, but I have confidence that our colleagues at FHFA and the GSEs do have that knowledge.

There are lessons learned from CDFIs that are making homeownership happen. The GSEs have an opportunity to join us in proving those models and bringing them to scale. Those models that are being successful and creating homeownership opportunities, using alternative underwriting models and wealth building strategies.

Ideally, a key component of the legacy and success for Duty to Serve would be their supporting role in game changing homeownership opportunities in rural and indigenous communities. And that legacy and success would outlive all of us.

Secondly, capitalizing CDFIs is another important component. The wealth gap continues to increase, particularly in rural and indigenous persistent poverty communities. Working with and through rural and Native CDFIs is key for the GSEs to increase the impact with meeting the Duty to Serve. Simply buying mortgages is not enough. Neither is applying tax credits.

CDFIs must raise capital and maintain balance sheet ratios. We keep our doors open and lights on. All of that must be sustained long before GSEs consider buying mortgages or tax credits. The lifecycle of housing in rural communities to get to the closing table can be lengthy. Duty to Serve plans should embrace CDFIs stellar ability to deploy and implement in persistent poverty communities by investing capital and operate rating support in these supply chains for Duty to Serve outcomes.

Again, I don't know how to gain the approvals you need, but I do know that many of the Fannie -- I do know many of the Fannie and Freddie folks, and I am convinced that that collective brain trust can design and navigate a workable solution, and even get the Office of General Counsel on board.

Lastly, I want to talk about data. Rural and indigenous community data nationally is a continual need for us and for you. Our great friends and colleagues that HAC are the go to for us. Why? Because they approach data from the ground up and they understand the rural anomalies that can skew raw data.

Interestingly, significant portions of rural data is amalgamated, as if there were no relevant differences between genders, age, etc. The partners for rural transformation collaborated on a national challenge around women [inaudible]. And when we went to build our case on rural women, we found that rural data on women, specifically, is sparse.

RCAC is embarking on a massive data and impact initiative.

Toi Roberts: One minute remaining.

Suzanne Anarde: I often refer to as we dive into this very complex and time consuming process of transitioning from counting widgets to true data and impacts compilation. You measure what you care about.

I appreciate the reference to rodeo as rural is truly my culture. Scale when working in rural indigenous communities continues to be a challenge. Impact is measured differently and [inaudible] time, but this visual is so accurate that I challenge the GSEs to think about scale like this. Think about rural and indigenous communities as rain puddles, compared to larger bodies of water. Every pebble, investment, mortgage homeowner ripples to the very edge of that puddle or community. That is what impact is in rural and indigenous communities.

Thank you for this opportunity. And I just leave you with this final question. If not us and you then who? If not now then when?. Thank you.

Toi Roberts: Thank you, Mrs. Anarde. Introducing our next speaker, Mr. Nick Mitchell-Bennett from Come Dream Come Build.

Nick Mitchell-Bennett: Good afternoon. I'd like to begin by thanking you all for hosting the Rural Listening Session. My name is Nick Mitchell-Bennett and I am the Executive Director of the Community Development Corporation which was once that, we are now Come Dream, Come Build. We're one of the largest producers of affordable housing in Texas. We are also an approved Fannie Mae and Freddie Mac seller servicer, and a founding member of the Partners for Rural Transformation as described by Suzanne.

I'm going to share a couple of facts and figures about our region with you all now, and I'm not doing this as a preamble to my suggestions or my recommendations. I'm doing this because I'm not sure you all have heard. I'm not sure you all are listening to tell you the facts -- to tell you the truth.

I need someone to -- I need you all to understand the immense amount pressure, financial pressure that rests on the shoulders of the people in persistent poverty Colonia regions. Yes, Colonia regions, I noticed that Colonias were not in either of these plans. Again, highly disappointed in that given that I've spent the last five or six years working with both GSEs and the FHFA to explain Colonias to everybody. I'm a little disappointed with that.

But to get you to understand that a one size fit's all standardized national approach to mortgage lending, does not and will not work at the scale desired and needed in rural and Colonia areas without, you know, a few turns of the knob and small changes to the system. Then real scale can be -- then real scale can be achieved if we're able to do that.

For over 45 years, my organization has worked in small cities and rural areas and Colonias, again, there's that word Colonia, in persistent poverty counties along the U.S. Mexico border. Generations of disinvestment, structural racism and exclusions in financial mainstream have precluded LMI households from accessing reasonable price traditional mortgage products at comparable rates to middle and upper income households.

Although you know, I was thinking, although there are phrases and images that will remain in our memories, etched in our memories for forever from the year 2020, the one that perhaps is the most pertinent to the communities I serve is the phrase Shelter in Place. As the pandemic spread across the United States from coast to coast we were all encouraged to shelter in place, an activity that was increasingly difficult for low and moderate income households of color.

In rural Willacy County, 43 percent of homeowners and 50 percent of renters, were housing cost burdened and nine resided in overcrowded dwellings. And we all know what overcrowded dwellings were happening during the pandemic. In the 34th Congressional District, well soon to be the 37th Congressional

District, 88 percent of the households, under 80 percent are severely housing cost burdened.

We are lacking 29,000 --over 29,000 affordable housing units in our area. And between April and December of 2020, two people a day were evicted from their home in Cameron County, and six people today were evicted from their home in Chisago County.

Potential homeowners in rural areas also face in-formidable barriers that inhibit their ability to purchase a home and accumulate wealth. Although families are actively engaged in the workplace, often holding two jobs simultaneously, they're not able to save for down payment on account of low credit scores and unfamiliarity with the mainstream financial institution language. They use high cost alternative payday, and car title lending, that strip assets from the area.

However, my organization kind of knows what we're doing. We've been here for 45 almost 50 years. Last year alone, we saw we're 5,700 people for pre-purchase housing counseling and homebuyer education. However, only one in 12 persons, families that came into our shop to buy a home. were able to buy a home within the first three months that they came to see us.

You know, the -- half of CDCBs Colonia and rural clients live below the federal poverty line. And the average annual household income is somewhere around $27,000. Half of the households have no savings and the majority have held subprime credit scores, and nine percent are credit invisible. Households that have Colonias are credit stressed, 39 held at least three past due accounts, and 36 maintained at least one predatory financial product.

We've used the last five decades to understand the community that we live in. To develop innovative financial products and services to provide low income individuals with high quality affordable housing, tailored mortgage lending and sound small dollar lending.

From just 2015 to 2019, we have deployed at $84.5 million in capital in our community, building 679 affordable homes and doing 25,000 alternative small dollar loans.

I need to tell you the truth, it's sarcastic sometimes I think that I sound which is, and I'm not, I'm being serious here. I believe that Duty to Serve to be the answer to many of our housing capital needs. And I believe this so strongly that some of my colleagues even here on the call today can refer to me as Don Quixote, picking up [inaudible] at the windmills.

But I -- and I've met multiple times with representatives of the GSEs and FHFA over the past five years. Presented at listening sessions. Taken GSE reps on tours of our region. Written letters. And surprising to those on the call I'm sure, I've even lost my cool with a few of you on the phone, and in person.

Nevertheless I'm back because I believe that FHFA and the GSEs have the ability and brains and the obligation to make Duty to Serve work. To accomplish the GSEs Duty to Serve objectives I respectfully offer the following recommendations.

One, adjust the GSE loan product parameters. To provide reliable mortgage loan products to all of mu households of color in the Colonias or rural areas, the GSEs need flexibility to adapt their loan products to meet the credit, capacity and capital profiles of low income buyers in the Colonias.

Examples of these loan product modifications would be instituted four percent or five percent deferred repayable loan to cover closing costs to be paid after the first lien is paid. This is the same product provided by many state FHAs.

Increase the seller concession amount from three percent to six percent, and eliminate the cap on CLTV. And lower the credit scores needed for underwriting criteria.

All of these suggestions are currently part of other loan products that are originated by CDCB. And we get asked over and over again by the GSEs and by other folks, how come, you know, you're not selling your products to us? Why are you selling your loans to other folks that have these things I mentioned?

And the answer is quite simple. Our clients are poor, they're not stupid. They know a good deal when they see it. And they know what fit's their needs today. And what we're asking you all to do is create products that fit their needs. You're not going to be able to put a square peg into a round hole. And we keep telling you that and telling you that and telling you that.

Number two, initiate a pilot program to CDFI partners. The Fannie Mae DTS plan specifically that's there committed -- "they are committed to partnerships with organizations and individuals who understand the nuances of our targeted markets and our ability to identify those opportunities for collaboration and innovation is a key component in reaching our goals".

So to accomplish this, we suggest investing in CDFIs, with contracts and loans and equity investments to support the entire cycle of the home buying process, from housing counseling to loan origination to closing the servicing, post purchase counseling. This requires investing in the entire product, not just the paper.

GSEs have an opportunity to support the capacity of local CDFIs. Invest into CDFIs with long track records. You got four of them on the call here today. We've been coming to over and over and over again. Those are part of the partners for rural conservation. Providing support for and collaboration among the CDFIs in this space will help us develop, test, refine and launch products at scale, across the high needs regional areas.

Three, enhance data collection and analysis. Partners with CDFIs to provide detailed financial profiles of potential homeowners and date on mortgage loans and services with the similar profiles. We can give you that information. You're not going to find it anywhere else. Expand the impact measures beyond the traditional number of loans purchased, and review alternative metrics that are indicative of success.

Toi Roberts: One minute remaining.

Nick Mitchell-Bennett: Most is the myth of affordable housing. Recognize the myth of affordable housing in high needs rural areas. One of the GSE plans specifically notes that homeownership, "homeownership is more affordable in rural areas at the median home value of an owner occupied home of $166,000 versus $217,000 nationwide".

What the GSEs fail to comprehend as that key component of housing affordability lies not in the comparison of median home values, or median home sales prices between rural and urban areas, but the median home prices relative to the median income of the households within this specific region.

In my reason alone, my -- the town of Brownsville and the city of McAllen, are the two least affordable areas in the state of Texas, although you wouldn't know that with that type of comparison.

Refine and then redefine Colonias. First adopt the word Colonia into your plans would be helpful. And then FHFA's Colonia's definition is critical and important to not only the GSEs but also newer federal programs. HAC did some wonderful work around the Colonia investment areas. We really -- the Rio Grande Valley contains over half of all recognized Colonias. However, only 23 of them can be counted under Duty to Serve. So we encourage you to look at those and adopt them.

I represent a region that has been overlooked, underserved and under-resourced for generations. My sincere hope is that the GSEs and FHFA will view high rural -- high needs rural areas as valuable investment areas, and that they will support CDFIs such as ours to continue to step into the gap and scale our innovative mortgage loan products to build inclusive wealth in remote areas throughout the U.S. and throughout the U.S./Mexico border. that are the hardest to serve and the places that I call home. Thank you.

Toi Roberts: Thank you, Mr. Mitchell Bennett. Our next speakers are two speakers Mr. Keith Epstein and Joseph Pigg. Mr. Epstein is from Roxboro Savings, and Mr. Pigg is from the American Bankers Association.

Keith Epstein: Thank you for holding this important listening session, and I am grateful to the ABA for allowing me to make a comment on behalf of its membership. My name is Keith Epstein, and I am a community banker and the CEO of Roxboro Savings Bank, a 98 year old mutual savings bank with $286 million in assets and a focus on housing finance.

We originate home loans to be held in our portfolio, and secondary market eligible mortgages which we sell to Fannie Mae with retained servicing. Our bank is located in Person County, North Carolina. We serve the suburban metropolitan Durham market to ourselves and the rural agricultural market extending to the Virginia border to our north.

Experienced lending to both markets gives us a unique perspective and a heightened awareness of the growing disparity between the two.

I will focus my brief comments on one particular issue this afternoon, but would be pleased to contribute to the future conversations aimed at fostering the health of rural housing markets.

Addressing appraisal issues is necessary, in my opinion, if the FHFA's Rural Housing Duty to Serve goals are going to be achieved. Rural market appraisers are often reluctant to use the GSE report formats, often preferring a narrative approach. They feel unable to adhere to GSE guidelines with respect to comparable property sales due to the substantial adjustments required for lot and acreage size, proximity and sales dates in particular.

There is also a shortage of rural appraisers, and in many agricultural communities they're completely underserved. Appraisal waivers granted by the GSEs have become commonplace in metro and suburban markets. Rural properties are not eligible typically for the waivers in our experience. And this creates a disparity in the availability, efficiency and cost of mortgage finance in rural versus non-rural markets.

Appraisal waivers save our borrowers on average $450. The ability to originate and deliver a loan in three weeks less time when the waivers obtained, allows the lender to sell to the GSEs, using a shorter term contract, which may translate to lower costs for the metro suburban borrower, at the disadvantage of the rural borrower. I welcome your questions and appreciate your consideration.

Joseph Pigg: This is Joe Pigg with the American Bankers Association. I want to thank Keith, who is an active and valuable member of both our GSE Policy Committee and our Mortgage Markets Committee, comprised of frontline lenders in the mortgage space.

His comments that he just shared with you, we found are consistent with what we hear from our members with regard to rural appraisals across the board. And so I wanted to provide that broader context. I think it's important to hear directly from a lender in that market. But I wanted to share with you that those comments are consistent with what we hear from many of our members.

We recognize that the appraisal issues and the challenges facing the appraisal industry cannot be easily solved by the GSEs or FHFA. That there are many players, and that appraisals are vitally important. And the valuation of collateral is one of the foundations of safe and sound mortgage lending.

But the issues that Keith has raised, and the challenges that are presented for the lack of appraisals, or appraisers, excuse me, in particular in rural areas is a significant challenge. So we think that any innovations that the GSEs, with the oversight of FHFA, can contribute in this space that would allow for waivers or other simplification in that process, would be a great benefit to our rural areas.

And that really concludes the comments that we have in that space. Again, happy to answer any questions or provide further comments as needed. And thank you for the opportunity.

Keith Epstein: Thank you, Joe. If I may make one just additional comment. I think that there is a perception that the FHFA and the GSEs need to address in rural markets, that rural properties are not eligible for secondary market financing and the favorable terms that come with. We will often get calls from borrowers who were advised by an appraiser or a realtor or someone in the real estate community suggesting that they call our local bank, because the larger banks and the larger players in the regional mortgage industry would not be willing, able or interested in financing those properties.

And I'm not sure that that's always a true statement. But that is a perception that exists, at least in our market. And so in addition to some of the specific appraisal issues that Joe and I have discussed, maybe a campaign to address some of the falsehoods that FHFA and the GSEs are not as interested in supporting the rural markets, because clearly you are. It's just a matter of overcoming some of these challenges. I think that could also be a positive initiative.

Toi Roberts: Thank you Mr. Epstein. And thank you, Mr. Pigg. Introducing our next speaker, Mr. Garth Reiman from the National Council of State Housing Agencies.

Garth Reiman: Thank you. Thank you for holding these listening sessions on Fannie Mae's and Freddie Mac's 2022 through 2024 Underserved Market Plans and for including NCSHA. We also thank FHFA and the Enterprises for their work on the Duty to Serve program and the new proposed plans.

The National Council of State Housing Agencies is pleased to have this opportunity to deliver these remarks on behalf of the State HFAs it represents. As state chartered public mission entities dedicated to financing the housing needs of rural populations and communities, HFAs are natural partners for Fannie Mae and Freddie Mac, as they work to achieve their Duty to Serve obligations.

HFAs are also valuable partners because of their proven track record in safe and sustainable lending to rural homebuyers through low interest financing, flexible but reasonable underwriting, down payment assistance, homebuyer education and conscientious loan servicing.

Reflecting this natural partnership, both Fannie Mae and Freddie Mac are currently working with HFAs and through HFA programs to execute their Duty to Serve plans. The Enterprises Duty to Serve activities have provided significant benefit's to HFAs by enabling them to increase their affordable housing homeownership and rental housing activities in rural and other areas.

In turn, the Enterprises partnerships with a HFAs help the Enterprises fulfill their underserved market plans and affordable housing goals. In one such initiative, attractive pricing and terms led to strong growth in HFA use of Enterprise single family mortgage products in rural and other areas. Much of this progress has been reversed though, because the Enterprises withdrew these pricing advantages and excluded moderate income borrowers.

We encourage the Enterprises to restore and expand the pricing and term advantages for their HFA products, at least for moderate income borrowers living in rural areas.

To avoid limit's on the number of single family loans the Enterprises can purchase, we urge FHFA to work with the Treasury Department to reverse the provisions of the GSEs preferred stock purchase agreements that limit the purchases of supposedly high risk loans. The characteristics these provisions target, LTDs over 90 percent, DTIs over 45 percent, and FICO scores below 680, are exactly those flexibilities necessary to serve many people in rural communities.

Fannie Mae and Freddie Mac continue working on their Rural Duty to Serve obligations, we encourage them to continue to seek out opportunities to collaborate with HFAs and to continue the outreach to and communication with HFAs [inaudible] on expanding their partnerships with HFAs.

In fact [inaudible] Enterprises plans include activities and objectives to partner with some specific groups, we recommend they add an activity and define objectives to promote working specifically with HFAs in both single family and rental rural housing activities.

In addition, we urge the Enterprises to amend their plans to increase their single family loan purchases and rental activity in general and high needs rural regions. We support the Enterprises intent to increase the amount of their housing credit investments in rural areas, and encourage them to plan to do even more.

Increased Enterprise credit investments would be particularly helpful as the market continues to adjust to recent tax changes and possible future ones, economic shifts and other equity market factors, including specific challenges associated with raising equity for rural project sponsors.

The Duty to Serve rule allows Fannie Mae and Freddie Mac to receive credit for the purchase of tax exempt housing bonds, both multifamily bonds and single family mortgage revenue bonds. We urge FHFA to allow Fannie Mae and Freddie Mac to purchase housing bonds and recommend the Enterprises create activities and propose objectives for single family and multifamily bond purchases in their Duty to Serve plans.

We encourage both Enterprises to set more ambitious objectives for loan purchases and activities in support of preserving Section 515 rural rental housing. Maturing mortgages and other circumstances make preserving this stock vitally important and the difficulty of securing such preservation makes the Enterprises' concerted effort vital.

Other Duty to Serve plan changes we recommend include, focusing on racial and social equity concerns in all their Duty to Serve activities. Working with HFAs to develop other new products and initiatives to expand access to credit to rural borrowers and in rural areas. Revise the GSEs automated underwriting systems to eliminate the ways in which they downgrade HFA and potentially other loans with down payment assistance by apparently requiring borrowers to have unnecessarily high credit scores.

Unlock access to credit, for thin credit file and other borrowers without high credit scores, by leaning into improved and innovative credit scoring, credit building and credit reporting alternatives. Provide liquidity for home improvement and energy efficiency financing to address the growing needs of our old and aging housing stock. This is a particular concern for many homeowners in rural areas.

By partnering and working on these areas, we're confident that the Enterprises, HFAs and other partners will be able to succeed to provide even more affordable housing in rural areas.

Before I close, I also want to recommend that the FHFA work to provide the GSEs with as much flexibility to innovate and create new products as possible. And not to hamstring that ability by setting unnecessary rules on when and how new products can be initiated and implemented. Thank you for the opportunity to share these ideas with you today. That concludes my remarks.

Toi Roberts: Thank you, Mr. Reiman. Our next speaker is Mr., I'm sorry, Ms. Dafina Williams from Opportunity Finance Network.

Dafina Williams: Hi thank you. I'm Dafina Williams, the Senior Vice President of Public Policy at Opportunity Finance Network. We're a national association of 350 Community Development Financial Institutions, or CDFIs.

CDFIs play a vital role in America's housing finance system, financing the development of affordable housing by providing credit capital and financial services for families in low income and low wealth and other historically disinvested communities. The work of the CDFI industry and housing has been impactful. CDFIs an OFN's network alone have financed more than 2.15 million housing unit's through Fiscal Year 2019.

And the COVID-19 Pandemic has up ended the housing market. Ensuring that vulnerable communities have the tools and resources to avoid eviction and foreclosure is key to an equitable economic recovery. It is essential that the GSEs take bold action to address our nation's housing concerns.

Our housing finance issues will not be resolved with incremental increases in individual mortgage or loan purchases. We need to rethink how we use the GSEs vast liquidity and access to the secondary market to open opportunities to support the development and preservation of affordable housing in rural communities.

The FHFA should only approve robust Duty to Serve plans that encourage flexibility, innovation and partnerships across all the Duty to Serve areas. The economics of financing rural -- affordable rural housing are challenging. Small lenders like CDFIs are critical to ensuring capital flows to support rural housing in all corners of the market.

We also know that federal investment to support housing in rural areas lags behind investment in urban communities. Investing in programs and proven solutions that build the capacity of CDFIs will help increase the development and preservation of affordable housing.

For the millions of people of color living in rural America, access to affordable homeownership is also an issue of racial equity. As we heard from HAC earlier, there are more than 2,000 rural and small towns census tracts where racial and ethnic minorities make up a majority of the population. Many who experience limited access to homeownership opportunities due to lending practices and housing policies that historically exclude rural people of color.

Common housing challenges in rural America, like lower median incomes, lack of adequate supply of rural -- affordable rental homes and homes for purchase, overcrowding, high costs and/or aging or substandard housing stock are even more pronounced in rural communities of color in regions like the Lower Mississippi Delta, the Southern Black Belt, and the Colonias across the U.S. Mexico border, and on tribal lands.

And as you've seen this summer with unprecedented heat waves in the western U.S. climate change is also impacting rural housing and accelerating the need for investment. Recent research has noted that residents of substandard aging mobile homes, which tend to be in more rural communities, are at high risk of being in heat vulnerable communities, often lacking things like air conditioning and adequate ventilation.

Another issue that is pronounced in rural America is limited access to small dollar mortgages. While there are certainly rural housing markets where housing costs have increased significantly, there are also still markets where home prices are relatively low and borrowers, especially first time homebuyers need access to these smaller balance loans that are not typically financed by traditional lenders.

CDFIs are already on the ground working on solutions to address these issues. OFN is also part of the group of CDFIs that you've heard from today, the Partners for Rural Transformation. And as you heard from their members, you know, they work tirelessly to develop targeted solutions to meet the capital needs of the communities in which they work.

CDFIs are essential to providing the tailored, specialized lending required to meet the needs of rural communities and they are often capital constrained themselves as lenders.

Access to the liquidity provided by the GSEs will help scale the innovations that CDFIs are testing on the ground. Duty to Serve as an important opportunity to increase access to capital for responsible lenders like CDFIs that have demonstrated their commitment to increase in housing opportunities in rural America.

There was some progress made under the first Duty to Serve plans which was already noted today, particularly around looking at the rural appraisal gap, exceeding loan purchase goals in recent years, as well as the successful pilot program with we did to build the capacity of Native CDFIs to support homeownership activities and tribal communities.

And we need to see so much more of that. The next iteration of Duty to Serve plans has to go much further to provide access to capital for the lenders already working on the ground with a track record of reaching underserved rural borrowers.

The FHFA should pursue far more aggressive plans from the GSEs and also make the plan shorter, clearer and more concise. One of the biggest shortcomings in the earlier initial planning cycle is the length and complexity of the plans which made it difficult for stakeholders to really understand and evaluate whether these plans were effective and any opportunities for meaningful engagement with the Enterprises.

Now is the time to push a bold agenda to address our nation's growing housing crisis. The issues facing rural communities around housing and infrastructure will only worsen without action. Doing so will require partnership with lenders like CDFIs.

The FHFA also has a really important role to play in regulatory changes that allow Fannie and Freddie to do more in these underserved markets. There are a couple of options.

One is increased flexibility in loan products. Many of the hardest to serve borrowers require mortgage products that are nonconforming and do not meet some of the credit requirements of the GSEs, and are not -- thus not eligible for purchase. This prevents their lenders from having access to liquidity that could be used to support additional homeowners.

Next is that credit income and many families balance sheets in rural communities and in other underinvested markets across the country, are not always going to be pristine. That means that these families -- that does not mean that these families cannot successfully become homeowners, with the right affordable capital, homeownership counseling and a responsible lender.

CDFIs have figured out how to lend successfully in these markets by meeting borrowers where they are, creating products based on the needs of the communities in which they operate. If the GSEs cannot serve these segments of the market themselves, they must consider other options to increase liquidity, in particular, direct equity or equity like investments and mission lenders who can manage the risk appropriately on their own balance sheets, and make credit available to borrowers.

OFN along with several of our CDFI partners on this call today, have continually urged the FHFA to allow these direct equity investments in CDFIs. This entity level financing that will allow the CDFIs to manage their risks themselves much more effectively, and allow them to have the liquidity they need to make the specialized lending necessary to reach rural markets.

Other recommendations include eliminating the cap on purchases of certain high risk loans, under the preferred stock purchase agreement. Those restrictions under that agreement exclude many of the very clients that CDFIs are working to serve, and it will overwhelmingly undermine access to affordable responsible mortgages for many low income homebuyers, families of color, and first time homebuyers. The GSEs should be exploring ways to lean deeper in and serve more of these customers rather than shutting them out.

The FHFA should also repeal it's ban on pilot programs. Pilot programs are highly effective methods to test out new models. For example, the GSEs could consider creating custom channels for CDFIs to aggregate and sell pools of loans for CDFI multifamily or single family mortgage loans in rural markets. Again, this is an opportunity for the GSEs to encourage this type of innovation and think of new ways to deliver credit to support rural housing.

And finally, we want to see the GSEs think more broadly and creatively about how to support small lenders that are making small mortgages. Ensuring that adequate access to capital there will really support the greater provision of affordable housing in smaller, more rural housing markets.

Thank you for the opportunity to speak with you today. The promise of partnership between GSEs and CDFIs has yet to be fully realized. The CDFI industry stands ready to be a partner with Fannie, Freddie and the FHFA and welcome the opportunity to continue the conversation with you about how to increase these partnership opportunities. Thank you.

Toi Roberts: All right, thank you, Ms. Williams. Okay, so now we're going to have a ten minute break and resume back at 2:30 p.m. So see you guys back at 2:30 p.m. Thank you.

BREAK

Toi Roberts: All right, welcome back to today's session on the Rural Housing Market. All right, I'm waiting for our presentation slide to come back up. Thank you. All right, so introducing the next speaker, we have Ms. Jessica Lynch, from the National Association of Homebuilders. Ms. Lynch.

Jessica Lynch: Yes, hi, thank you. Thank you for the opportunity to speak today and for your interest in hearing from stakeholders regarding the underserved market plans for 2022 through 2024, developed by Fannie Mae and Freddie Mac.

I'm Jessica Lynch, Vice President of Housing Finance for the National Association of Homebuilders. NAHB represents more than 140,000 hardworking individuals and businesses that construct about 80 percent of all new housing built each year, both for sale and for rent.

For the nation's homebuilders to meet the demand for housing, including addressing affordable housing needs, the housing finance system must be efficient, accessible and highly liquid in all geographic areas and all economic conditions. The system must be flexible in providing for the unique housing and credit needs of populations across the country.

The role of housing affordability and ensuring broad access to credit must be central to the Enterprises underserved market plans and the agency's oversight of implementing the statutory requirement.

FHFA should allow the Enterprises to have significant discretion and flexibility to determine the market activities that are best suited to their strengths and those they can best implement within the designated underserved markets.

FHFA should not be overly prescriptive in the implementation of Duty to Serve requirements, and FHFA should give the Enterprises Duty to Serve credit for research and development activities that might not show immediate results.

Additionally, FHFA should continue to permit the Enterprises proposed new products that would facilitate meeting these requirements and are consistent with the Enterprises' safety and soundness.

NAHB is pleased that the Enterprises underserved market plans demonstrate a continued commitment to preserve affordable housing for HUD assisted, project based section eight properties and apartments, financed under USDA Section 515 Multifamily Housing Direct Loan Program. We encourage Fannie and Freddie to boldly move forward with their proposed Section 515 loan purchases, which will enable apartment owners with expiring Section 515 mortgages to recapitalize their properties. Likewise, the loan purchases will help Section 515 owners maintain affordable rents.

While it is certainly important to preserve housing in underserved markets, new construction is also necessary, especially in rural areas where the existing housing stock can be very outdated. Lack of housing unit's is the primary cause of growing housing affordability challenges. Any policy that seeks to improve affordability without adding new single family and multifamily housing will not be successful.

This housing shortage is seen in all markets across the country. This problem is particularly acute for low and very low income households.

Fannie and Freddie must be a part of solution to increase affordable housing supply. Without the availability of affordable housing units. Fannie and Freddie will not be able to meet the goals of facilitating credit for borrowers in underserved markets. Increasing the number of new affordable apartments in underserved markets is also essential, for low income housing tax credit, is the nation's largest affordable housing program and a highly successful example of a public private partnership.

NAHB welcomes Fannie and Freddie's continued involvement in underserved markets through these loan purchases and equity investments. The -- sorry -- to facilitate the financing of new single family housing, the Enterprises should play a role in acquisition, development and construction or agency financing for underserved markets. Rural areas would be a good target to start with.

Small financial institutions are the only source of financial services in many rural areas. NAHB has been requesting that Fannie and Freddie work with small financial institutions to assess potential agency financing solutions for these unique areas and are disappointed that these activities are not included in the proposed plans.

However, there are other products that can be developed or enhanced housing demand in the more immediate term. Fannie and Freddie must be the leader in providing innovative solutions. For instance, Fannie and Freddie could streamline construction to permanent loans and expand rehab loan products. And they could develop new products to address financial limitations for creating Accessory Dwelling Unit's or ADUs. ADUs are becoming an interesting solution and many areas are changing their zoning policies to allow for them. Yet financing options to create these units are limited.

NAHB has appreciated the focus that Fannie and Freddie have had on promoting energy efficiency. The Enterprises' green loans for financing energy and water efficiency improvements on multifamily properties have been well received by apartment developers, builders, owners and lenders. And creating a single family green bond program are a welcome innovation to address both the benefits of energy efficiency in new homes and the desire for investors to pursue ESG investments.

As this product takes hold, the Enterprises should determine how it could provide an economic benefit to consumers through lower interest rates or higher debt to income or loan to value ratio allowances.

Finally, the need for collecting and sharing data is tremendously important for all aspects of Duty to Serve. In order for the housing lending and appraisal industries to help the Enterprises meet their goals, we must have access to the data. Appraisals are one source of data that is critical, as it provides information about the housing structure.

Fannie and Freddie play a dominant role in appraisals since they set the standards that are followed by almost all mortgage lenders. Builders are facing challenges with the increased costs, not just for lumber and building materials, but also to comply with ever increasing state, local and federal regulations. Because the appraisal standards set by the Enterprises rely heavily on the sales comparison approach, builders and buyers cannot sell their homes for the cost to build. This problem is particularly acute in rural areas where there are not as many sales comparisons. Yet appraisers are not required or encouraged to use the cost approach to value.

The [inaudible] report the same issue when homeowners who want to improve their homes, add energy efficient feature, make needed upgrades, etc., cannot secure the financing because of the appraisal.

Earlier this year, FHFA received input through requests for information on appraisal practices. And the agency should follow through with this effort to provide more oversight of the appraisal process.

Thank you for the opportunity to speak today. NAHB looks forward to submitting our comments. Thank you.

Toi Roberts: Thank you Ms. Lynch. Our next speaker is Ms. Laura Meadows from Fahe. Ms. Meadows.

Laura Meadows: Hello and good afternoon everyone. I would like to start by saying thank you to FHFA for the opportunity to address the Duty to Serve plans, as well as express my gratitude with the Enterprises' genuine interest in efforts to continue to elevate their plans around learning how to reach people and communities in the most impoverished and hard to reach parts of the U.S.

My name is Laura Meadows and I serve as the Executive Vice President of Lending for Fahe. We're a regional CDFI serving Appalachia, one of five high persistent poverty regions in the U.S.

We're a Fannie and Freddie Mac approved seller servicer, as well as a founding member of the Partners for Rural Transformation.

Over the last 40 years Fahe has invested over $1 billion into Appalachia, channeled through our members and community partners, directly changing the lives of nearly one million people.

My comments today are directed toward the Enterprises' attention to the rural and persistent poverty areas of our country. Of these persistent poverty counties, a significant 17.4 percent, almost 1/5 are in Fahe's service area. The Fahe network is working in these high needs areas to build the American dream.

We define that American Dream is thriving businesses with good stable job, healthcare for when we get old, good schools for our kids to receive the education that they need. And what we're focusing on for today's discussion, a quality place to live that we can afford.

Potential homeowners in these high needs rural areas face many obstacles to get to this dream. Some of these factors include low wages, and Appalachia median income in these regions falls just under $37,000 a year, compared to $63,000 for the United States. Impaired credit, limited to no down payment or financial hardship reserves, and lack of access to the secondary capital market, which creates a broken understanding and education around processes and available programs for home purchase. All due to this vicious cycle of financial instability.

CDFIs were created to provide opportunity to those who find themselves in this cycle and to drive capital into markets where it doesn't naturally flow. Our ability to continue moving this mission forward relies on our partnerships with the GSEs and their commitments to the Duty to Serve objective.

Understanding this I would like to offer the following recommendations for consideration. For single family, creating a CDFI preferred product or flexibility within current products to meet the LMI borrower needs. These should allow exceptions from income limit's in high needs rural and persistent poverty areas, based on largely low area median incomes of these areas.

In addition, consider credit exceptions. Based on GST presented data within their plan, there's acknowledgement that in these regions the nature of lack of credit or nonconforming credit is an issue. We would ask what the GSEs take this data into account and allow for alternative underwriting models based on these factors, that in addition, consider greater eligibility at higher LTD.

An additional concern in today's environment is the impact of this credit market. This disproportionately impacted low and moderate income borrowers with lower credit scores and inability -- inhibited their ability to take advantage of historically low interest rates. When they do purchase, with higher rates or not able to purchase at all, with -- this will contribute to the racial, ethnic and gender wealth divide.

In addition, the growing costs associated with both new construction and rising sales costs will adversely affect the borrower's that Duty to Serve has a focus to provide real impact toward.

The plans reference a rural borrower opportunity being focused around down payment assistance options. Today, there's not an accessible capital market to revolve subordinated mortgages, and limited or anecdotal pots of money that CDFIs may access do not provide long term solutions. CDFIs can be a catalyst for these opportunities.

The GSE should consider working with CDFIs to build or locate opportunities for an outlet to resolve this capital issue and provide a solution. The plans acknowledge the capital issues for first mortgage, and the concerns that come with balance sheet lending. A down payment assistance option to bring real results should be viewed with the same light.

As an example, between 2019 and 2020, Fahe was able to access a pool of down payment assistance funds, which offered deferred money up to $10,500 to 200 low income homebuyers. With access to these funds, we were able to escalate our homeownership efforts with partners in communities of color, increasing our impact on nearly 20 percent.

At expenditure of the dollars, the affordability impact became clear at an instant reduction origination of seven percent. If a revolving subordinate market was available, these stores of impact could not only continue to exist, but to thrive.

An additional barrier we're trying to overcome is creating enough scale from the CDFIs to make the delivery to the enterprises make financial sense for organizations. We ask that the GSEs to continue to support aggregating institutions to build developer capacity. This can be done by investing in CDFIs with grants, loans or equity like investments to support the full cycle of a mortgage.

From counseling through post purchase and servicing, we recommend the GSEs invest in CDFIs with long standing track records and credibility, such as those represented by the partners for rural transformation to support the development, execution and growth of innovative mortgage products across each persistent poverty region, and provide much needed liquidity to continue elevating these areas.

For multifamily, creation of multifamily housing, enroll persistently for areas of the country ad is made more difficult because of the small size of these deals and pricing and equities compared to urban in more affluent areas. Developers are incentivized to go where it's easier.

Working with CDFIs, who have a track record of putting together deals via serving as a turnkey developer, we're able to connect local boots on the ground to technical expertise and design projects. Consistent stable funding from the GSEs would enhance our ability to further penetrate this rural market. Suggestions could be LIHTC set asides or basis boosts, that the GSEs could make the case to stay FHFA for using these tools to reach high needs rural, persistent poverty areas. And continued purchase of small multifamily loans.

And finally research. Research CDFI loan performance. Partnership for rural transformation members would provide data on the performance of loans they have originated or serviced. The GSEs could research whether these loans performed better than their traditional risk indicators would indicate or suggest. And they could consider building product allowances based off of this data.

Expand impact measures of success, pass simple loans purchase and consider alternative success metrics. We could help determine that with your partners and CDFIs working within the Duty to Serve regions.

Fahe appreciates the continued engagement of FHFA and the GSEs around this work. And at the end of the day, the ultimate goal is that Duty to Serve needs to be taken seriously. The work that's happening every day in Appalachia, the Delta, Indian country, the Rural West and the Colonias is valuable to the continued success of our nation and building that American dream.

These regions have been under resourced and undervalued for far too long. Our hope is that with the empowerment of FHFA, the GSEs will continue to see the true value of these markets and the people that they represent and will carry on the support of Fahe, the Partners of Rural Transformation and our fellow CDFIs to provide the expertise and engagement needed to bring real impact.

Thank you for the opportunity to speak today and for your continued commitment to Duty to Serve.

Toi Roberts: Thank you Ms. Meadows. All right, our next speaker we have is Ms. Crystal Cornelius from Oweesta. Ms. Cornelius.

Crystal Cornelius: Hello, good afternoon. Can you hear me okay?

Toi Roberts: Yes.

Crystal Cornelius: Wonderful. Thank you. All right, one second. I would first like to take the opportunity to thank FHFA, Fannie Mac -- Fannie Mae and Freddie Mac for the opportunity to provide comments and recommendations in relation to the Duty to Server program.

And I'd also like to thank you specifically for addressing within the DTS programs, furthering partnerships and extending reach of services to Indian country, and tribal nations who experience some of the greatest barriers to homeownership of any population in the nation for a myriad of reasons.

I would also like to make particular note that the concept and implementation of Duty to Serve program is an incredibly innovative, necessary, and places a much needed priority and focus on rural areas and populations who lack access to resources and capital streams that advance homeownership. And I think that we've seen with the advent of the pandemic, a lot of our marginalized communities really rising forth to be able for America at large really to see the gross inequities of capital and infrastructure, which is something that a Oweesta has been working on for many years on behalf of and with Indian country as a national Native CDFI intermediary.

My name is Crystal Cornelius and I am the President and CEO of the Oweesta Corporation, and national Native CDFI intermediary lender, who over for the past 20 years of our operations have solely focused on Native CDFIs and tribal communities across the United States, Alaska and Hawaii.

Oweesta has deployed over 90 million to Native CDFIs within our 20 year history and have experienced only one partial loan default. We've created two large capital pools in addition to our regular revolving loan fund product and services, which have allowed our Native CDFIs to access larger amounts of capital and meet target market demand with longer terms and lower interest rates.

And we find that capital deprivation to be able to advance home ownership, mortgage opportunities and larger infrastructure projects really is a detriment to rural communities, Native communities and having the opportunity to have those investment opportunities.

Our $10 million pool was deployed two years ago to 12 Native CDFIs for a 10 year term and 2.5 percent interest rate. And we have also just closed and created a $25 million COVID Relief and Recovery Fund for Native America and tribal nations, with an anticipated 25 Native CDFIs participate with the terms of that loan pool being 15 years and an interest rate of 1.7 percent.

Initially, when we were putting together our $25 million pool, we had initiated this concept prior to COVID. And the thought for this really was to have this pool act as a secondary market so our Native CDFIs could have accessibility to larger amounts of capital to begin providing mortgages.

We know that with the GSE, and ultimately FHFA, there have been some hindrances insofar as purchasing existing mortgages. They're not meeting certain qualifications within FHA standards. So Oweesta really was hopeful that with this $15 million initial thought form of a pool, which we have raised to a 25 million and closed, is really going to help not only relief and recovery, but advanced homeownership opportunities throughout Indian country as well.

Native Americans are one of the most underserved impoverished minority populations in the country. The Native American Indian Housing Council estimates that homeownership rate in Indian country is about 33 percent, substantially below the national average. And Native Americans are four times more likely than the average American family to live in substandard housing.

Potential homebuyers wanting to purchase home on Native American land are faced with substantial challenges making it difficult to attract investors and lending products. And Native communities also encompass persistent poverty areas across the United States.

Oweesta is also a partner of the, and member, of the Partners for Rural Transformation in which our organizations serve at least three quarters of the nation's persistent poverty areas.

Challenges to meet lending in Indian country are well recognized and documented by both GSE and FHA, which include each tribe has unique structure of governance, culture, history and identities.

There are legal complexities involving Native American land, for example, federally restricted trust lands and allotted lands. Housing located on reservations can be in substandard condition, overcrowding is common due to high levels of unemployment, persistent poverty and lack of affordable rental housing.

And the mortgage lending process on Native American land is confusing and can be overwhelming, compounded by the general lack of understanding of the home purchase and ownership process. Conventional lending is nearly nonexistent, leaving Native American tribes to rely on government lending programs to finance home purchases and refinance transactions, unless there's a Native CDFI that's really stepping into that space and expanding their services in this regard. And as always, there's cultural considerations in working with tribes throughout the United States advancing homeownership.

The Duty to Serve provides specific opportunity to Native communities, tribes and institutions who have a stake in furthering homeownership opportunities across tribal lands. The benefit of these initiatives includes tapping the potential liquidity of the housing market at scale for Native nations through GSE collaborations.

Our Native CDFIs are the pillar of financial stability and financial opportunity with more than half of our Native CDFI industry already offering products and loan products that help facilitate homeownership opportunities, such as down payment assistance, home rehabilitation products, with many CDFIs already providing mortgage products to their respective tribal community members.

CDFIs were created to drive capital into markets where it doesn't naturally flow. There are many innovative and useful strategies that were part of the original Duty to Serve plan in Indian Country. These initiatives we've found especially valuable for Native communities who we serve included increasing homebuyer access, education and resources to members of federally recognized tribes, increasing technical expertise in Indian areas and increasing loan purchases from small financial institutions serving rural regions.

Our recommendations really hinder around continuing the Duty to Serve capacity building and capital efforts for Indian country and persistent poverty areas. Capacity building and training efforts to promote and grow low income communities is essential. Oweesta has been honored to partner with the Duty to Serve in furthering capacity building efforts for Native communities and the partnership and support instituted by the Duty to Serve programs.

Specifically, we were able to partner with a youth Native financial education curriculum. We have created a Native CDFI HUD housing counseling network with support of Freddie Mac. We have also engaged in capacity building for Native CDFIs in order to support their access to the secondary market and support a Native CDFI cohort to help Native CDFIs become an MLS licensed and ready to participate in the secondary market.

Our greatest challenging were modeling various investment models that facilitated advanced capital resources directed to Native communities for homeownership advancement. We make recommendations in order to increase homeownership opportunities for Native families .

As you continue to develop the Duty to Serve plan with your latest revisions, we encourage the GSEs to support tribal sovereignty by eliminating the unnecessary MOU requirements with tribal nations in order to facilitate advanced homeownership efforts.

And as our partner Hope will share, we also likewise will recommend creating a CDFI preferred product. Native CDFIs lent 79 percent of their housing loans on tribal lands last year. With a preferred product they stand positioned to lead the charge for home ownership opportunities. Also, providing operational --

Toi Roberts: One minute remaining.

Crystal Cornelius: Also providing operational funding to CDFIs Duty to Serve initiatives to assist with core operations that lead to stronger target market demand and clientele ready for homeownership. We also recommend allowing GSEs to offer their affordable products to over income borrowers on restricted tribal land.

These products were originally designed to meet the needs of underserved communities and the flexibility to use these products with borrowers of all income levels, including those over 80 percent of the area median would allow GSEs to better serve target markets by Duty to Serve, especially Native Americans who experience many barriers to accessing affordable mortgage capital.

Make equity like investments into CDFI and allow us to leverage those resources to advance homeownership opportunities. And continue to invest in Native CDFI capacity building for secondary market access in order to take advantage of this emerging market.

And we also note that there has been an impediment to addressing housing and homeownership concerns, and the lack of publicly available high quality and detailed data. I would say that we even noted within the new revised Duty to Serve plans that a lot of the data that was provided in regards to race and homeownership capacity and ability, we still are not seeing any Native American data within these sets.

And I would recommend even if we don't have the data, to put our communities, to put Native Americans simply with an asterisk of no data provided. But without even having that recognition, I believe really hinders us on a narrative sense, and to incorporate additional data to be able to assist Native American communities.

Specifically HMDA data should identify whether alone occurred on or off reservation lands. HMDA loan records should specifically identify Section 184 loans from within the conventional loan category. And direct loans from government agencies like the VA and USDA should also be reported with Native American statistics to HMDA. Excuse me.

Again, I will cede my time. I thank you very much for the opportunity to speak in this regard today. And I hope that you will have a wonderful afternoon [inaudible], Thank you very much.

Toi Roberts: Thank you, Ms. Cornelius. All right, our next speaker is Ms. Roseanne Haggerty, from Community Solutions.

Rosanne Haggerty: Thank you very much for the opportunity to be here and to share our work. We are leading the Built For Zero Movement, a movement of now 89 counties and county regions to reach sustainable end to homelessness leaves no one behind.

We are applying a public health model to assist teams across communities in reaching a new standard of success in reducing homelessness called Functional Zero. This means homelessness is measurably rare and brief and that the team and system is in place to keep homelessness solved.

Fully a third of the Built For Zero communities are in rural or bordering tribal areas. And in the past six months a working group of many of these leaders has been convening to identify the policy barriers that keep the homelessness at a very high level in these areas, and often undercounted because of the difficulty of getting accurate data.

And so here to share with the GSEs some of the recommendations coming from this group of leaders about how your Duty to Serve might support acceleration of an end to homelessness in these communities.

First, the challenge of data. We've learned across the Built For Zero network, that communities will require by name real time information on those experiencing homelessness, in order to know what interventions are working, and to account for people across the population and the geography. And also by household and to understand what specific barriers are needed to move those individuals and households back into stable housing.

In rural and tribal areas, we've found that the data challenges are even a multiple of those in urban areas, one can understand the large distances to cover and the limited capacity, the reliance on very many, you know, frankly volunteer members to support the efforts of funded agencies to understand and serve those experiencing homelessness in these communities.

So recommendation number one, is to support quality data, the infrastructure needed to, and the technology tools needed to account for everyone experiencing homelessness in rural and indigenous communities. We have a number of recommendations that we're making to federal agencies about how data standards and technology could actually be as powerful as additional housing supply to help reduce rates of homelessness in every community. And this is especially true in rural and tribal communities.

Two. There is a moment and a need for innovative pilots. One of the things that has been true across the working group members in the community from Native tribes in Alaska, to communities in western Virginia, to communities along the west coast -- on the Gulf Coast of Mississippi and tribal areas in Maine, is the capacity gaps in these areas in terms of the support that local organizations need to be able to develop and manage additional housing, and to coordinate the identification and meeting of needs of those experiencing homelessness or housing need in these areas.

So equity investments and very deliberate investments in building the capacity of local organizations should be on the Duty to Serve agenda.

But that would enable these communities to undertake innovative pilots. For example, one of the things that we are hearing is very much the case across several of these areas, and is likely to be a much more dramatic situation as you spread out across the country, is that struggling hospitals, struggling local colleges, these assets actually create an opportunity for investment in the kind of housing that we are hearing from our working group members is desperately needed.

New types of permanent supportive housing that combines housing with the health, mental health and employment support. Housing linked to training and job opportunities. That these facilities which may be in dire straits are actually an opportunity to do the kind of creative thinking and reinvestment that can jumpstart some of the meeting of unmet housing need. Especially for populations struggling with homelessness and complicating factors such as health and mental health and long term unemployment.

In addition, in these communities we are hearing about the massive backlog of the USDA funded elderly and disabled housing facilities that have been struggling with deferred maintenance challenges. And represent a real threat as far as the loss of housing that can hardly be spared. So attention to those facilities and making those challenges a priority issue will help prevent increased homelessness in these communities, and address the needs of some of the most vulnerable people in those communities.

There's also, as we understand from our community working group leaders, a need for support for new types of housing models. And again, an approach to innovative pilots that the GSEs could support could be the root here.

For example, smaller multifamily properties, four-plexes, for example, and maybe ways the GSE could work with the USDA to enable some of their existing programs, the community facilities fund, 516 loans, that don't now meet the needs of the special needs population or the very poor that those programs could actually be strengthened, be tested in different directions with a support of the GSEs.

So finally, just to urge you to think about the ways in which the GSEs could bring together the capacity, the training, the opportunity, the challenges in these communities, again with investments in data and full knowledge that will actually enable groups in these communities to better have a handle on the scope of their challenges and to see what's working and to facilitate collaboration. To fund new pilots, to invest in capacity building, to look at some of the existing assets, including properties that may be struggling with respect to hospitals and colleges.

To look at the backlog of maintenance that could imperil those who are now living in USDA funded elderly and disabled unit's. And to think about working with some of these communities to even explore how the GSE resources in conjunction with local capacity and assets could actually become learning laboratories with projects that could instruct other rural communities in how their housing needs can be met at this urgent moment. Thank you very much.

Toi Roberts: Thank you. Thank you so much, Ms. Haggerty. All right, so our next speaker is Ms. Kirsten Johnson-Obey, from Neighbor Works.

Kirsten Johnson-Obey: Hi, can you hear me?

Toi Roberts: Yes.

Kirsten Johnson-Obey: Great. Thank you. Hi, my name is Kirsten Johnson-Obey, I'm the Senior Vice President of Public Policy and Legislative Affairs at Neighbor Works America. And on behalf of Neighbor Works, I want to thank FHFA for the opportunity to provide comments on the Duty to Serve underserved markets plans for Freddie and Fannie.

My remarks are informed today by our work of our staff at Neighbor Works and the work of our network of nearly 250 local and regional nonprofit chartered Neighbor Works organizations or NWOs, some of whom we've heard from here today. These views have not been submitted nor approved by the Neighbor Works Board.

Our mission at Neighbor Works is to create opportunities for people to live in affordable homes, to improve their lives and strengthen their communities. And the activities proposed by the GSEs in their new underserved market plans can and should play an important role in helping us and our network achieve our goals, building equity and opportunity across the country.

The needs are great however, and the goals and the plan before us should better stretch into post=pandemic opportunities for rural communities, Native American communities and other underserved markets.

NWOs are a driving force in creating affordable and sustainable homeownership and rental housing opportunities in communities across the country. In FYI 2020, despite the stress of the pandemic, when they were stretching to provide new and necessary services, our NWOs assisted over 438,000 families with their housing needs.

They included creating over 23,000 new homeowners, owning and managing nearly 180,000 units of affordable rental housing, and providing counseling and education to over 149,000 families buying or preserving a home.

NWOs serve all three of the underserved markets covered in the Duty to Serve regime. I will focus on the rural market, including Native American market needs. However, there is a considerable overlap between -- with the manufactured housing and Affordable Housing Preservation in the rural marketplace.

In FYI 2020 two-thirds of NWOs served rural Americans, and 118 of the almost 250 participated in our rural initiative, a community of practice focused on rural community development through peer learning and connecting organizations to special programs and resources.

For example, Neighbor Works has placed special emphasis on strategies to leverage innovations in manufactured housing, the focus on quality products and financing to replace the estimated 400,000 outdated unit's in need of replacement. Their work supports Next Step, a social Enterprise working to deliver high quality energy star factory built housing. And we also support Rock USA, a national initiative to assist residents to purchase and rehabilitate their mobile home parks, something we're amplifying through our shared equity pilot that began in 2019.

I want to acknowledge and thank Fannie Mae and Freddie Mac for their multifaceted partnerships with Neighbor Works America for many years. Both of the GSEs have participated in the national industry standards for homeownership education and counseling, as well as the N-Check Advisory Council. But don't ask me to tell you what those stands for N-Check.

We also appreciate serving on Freddie Mac's Affordable Housing Advisory Committee and Freddie Mac's continued participation in our Neighbor Works Training Institute as we strive together to increase black wealth and promote equitable housing.

Fannie Mae has provided financial support to Neighbor Works to develop culturally specific training curriculum for Native communities focused on post-pandemic, or excuse me, post=purchase homeownership counseling. Which has been retooled to be delivered virtually as a result of COVID-19.

We have also been working together with Fannie Mae on addressing housing inequality, focusing on pre=search preparation, buying a home and post-purchase counseling.

Both of the GSEs have actively participated in our rural centered convenience with our network. And this positive stakeholder engagement speaks to continuing need for interaction and learning from underserved constituencies in the primary market.

Engagement with NWOs and other stakeholders, the promotion of homeownership education and counseling, and the development of effective affordable loan products for lenders will be the bedrock of the future of Duty to Serve's success.

Congress created Neighbor Works America over 40 years ago. They envisioned the highly flexible, non-bureaucratic laboratory, a place where, "new ideas and approaches to be studied to find pilot tested and replicated". Simply put, this is what we do with our network. Find what seems to be working, test it, prove it and work to replicate it.

Our unique partnership with our NWO is a great laboratory for the innovation, testing and pilots needed to build the products and markets that lie at the heart of the Duty to Serve commitment. That success through NWOs and other stakeholders will require the GSEs to have the abilities to pilot products. And we strongly encourage the FHFA to repeal it's ban on product pilots.

Such demonstrations are essential to ensuring that creative ideas that serve hard to reach communities are developed with them and with lenders across the country. Once tested, they can be scaled to provide certainty and liquidity for rural and Native markets, surety homes, and affordable sustainable manufactured homes.

Success will also ride on simplifying the Duty to Serve regime. setting appropriate baselines and scaling up the commitments and goals. Most stakeholders find the plans too long and complicated to consider themselves able to engage.

Simply put, increasing the targeted goals is needed. But a less complicated regulatory process would be helpful. We hope that FHFA will work with the GSEs to increase the transparency of their plans and progress reports engaging in partnerships to reach organizations and communities with whom they have not traditionally engaged and commit to action at scale.

Success is essential and rural communities across the country there is a severe shortage of affordable housing. Countless existing developments, subsidized and unsubsidized, are in need of rehabilitation and recapitalization.

Due to the pandemic, costs are rising astronomically so affordable, scalable financing is key. Over the past year, a range of factors disrupted NWO construction projects and delayed projects in the pipeline, including challenges in traveling, working on construction sites, inability of inspectors to get to sites to inspect projects and approve requisitions. And delays and required approvals from local and county governments.

These impacts were likely compounded by an upward trend and development costs for new projects faced by the network since FY '17. The average cost per rental unit constructed by NWOs exceeded $230,000 in FY '20. An increase of 38 percent over FY '17/

And with the things we're hearing now, with lumber costs and other things rising up over 400 percent, these costs are just further constraining the production of necessary and new affordable housing.

Everyone must work together. Despite the daunting scale of these needs preservation is particularly needed in rural areas and is often substantially more cost effective than construction. Access to capital is a key component to the successful preservation.

FHA -- FHFA should allow the GSEs to increase LIHTC investments most certainly in rural markets, and markets outside of the Community Reinvestment Act assessment areas of large banks. The $500 million equity investment cap should be raised to at least $800 million.

As we've heard today, the GSEs must provide -- prioritize the expansion of affordable homeowner housing in persistent poverty areas. As a conventional market does not serve this geographies well, the GSEs can continue to expand flexibilities and innovations working with community development financial institutions, like the over 80 CDFIs in the Neighbor Works' network.

In FY 2020, network CDFIs provided $365 million in residential mortgage lending alone. During the previous Duty to Serve planning cycle two network organizations Fahe and CDC became authorized seller servicers. Neighbor Works supported setting up this hub and spoke lending model that has enabled other CDFIs to access secondary market. This work is an example of effective partnership that can be expanded and replicated.

The GSEs should also make eligible equity like investments in qualifying regional CDFIs to serve these persistent poverty areas, including Native lands.

The GSEs should also increase their need of stakeholder work to streamline the mortgage lending process for Indian Country, encourage lenders to actively foster relationships with tribal governments, tribal housing authorities. And incentivize affordable rental development on trust land.

With over 570 federally recognized tribes, and Alaska Native corporations, and 35 Hawaii homestead associations in the U.S. this will take time and intentional resourcing to meet the critical needs --

Toi Roberts: One minute remaining.

Kirsten Johnson-Obey: Only exacerbated by the pandemic. Access to broadband is another key challenge faced by many rural communities. While the estimates vary, the number of Americans without the ability to access, let alone the ability to afford, broadband internet could be as high as 42 million.

The goal of full connectivity, universal access and affordability must be achieved for people and their businesses, including mortgage lending, to be successful. And with the increased use of digital execution, the lack of broadband access is exclusionary to these underserved markets. Neighbor Works urges the Enterprises to recognize the importance of internet access to the housing itself as well.

Let me conclude by saying, on behalf of our network of nonprofit organizations, Neighbor Works is grateful for the opportunity to continue FHFA and the GSE is to increase liquidity and expand access to credit for Americans in underserved communities across the country.

We look forward to continuing our engagement with the implementation of the market plans and stand ready to assist the GSEs and FHFA in successfully serving rural manufactured housing and affordable housing preservation markets in this country. Thank you.

Toi Roberts: Thank you, Ms. Johnson-Obey. Our next speaker is Mr. Ed Sivak from Hope Enterprise Corporations, Hope Credit Union.

Ed Sivak: Thank you, Ms. Roberts. And good afternoon to my colleagues at FHFA, Fannie Mae and Freddie Mac. Thank you for the opportunity to share our thoughts from the Lower Mississippi Delta region.

My name is Ed Sivak, and I'm the Executive Vice President for Policy and Communications at Hope. Hope is a black and women owned credit union, a nonprofit loan fund and a policy and advocacy organization that was established to ensure that all people, regardless of where they live, their gender, race or place of birth, has the opportunity to support their families and realize the American dream.

We serve Alabama, Arkansas, Louisiana, Mississippi and Tennessee, a region that is home to more than a third of the nation's persistent poverty counties, most of which are rural. Nearly one-third of our branches are located in rural persistently poor counties. And in over the last 20 years we have originated over 3,300 mortgages totaling $285 million.

Hope is also a steering committee member for the Partners for Rural Transformation. Led by CDFIs, serving three quarters of the country's persistent poverty counties, the Partners draw on its collective voice and shared experience to work toward a reimagined future for rural America and the people who call it home.

In my comments today, I will focus on three areas of opportunity, some of which are addressed in the plans and some of which should be addressed more deeply and with more clarity. The three areas include down payment assistance, expansion of the types of mortgages eligible for and purchased by the GSEs, and capitalizing community development financial institutions.

Each of these recommendations is grounded in lessons learned from making performing mortgages in this region over two decades, largely to people of color, and most of which never would garner a second look from a GSE, because of their perceived risk and eligibility criteria that remain far too narrow.

Down payment assistance. The effects of the racial wealth gap are perhaps more cute in our region where nearly two out of five residents are black in Mississippi, and one out of three in Louisiana. In these two states, for every dollar of income earned by white households, black households earn between 50 cents and 55 cents. Not surprisingly, this affects savings. Approximately seven out of ten black households do not have the liquid assets to cover three months of expenses.

And finally, in Mississippi where Hope is headquartered, the net worth of black households is $15,900 in contrast to over $100,000 for white households. Given the low levels of income and assets in black households due to a history of exclusionary and discriminatory policies and practices, the presence or absence of down payment assistance is often the difference between becoming a first time homebuyer or not.

Notably, the Fannie Mae Duty to Serve plan includes the deployment of a down payment assistance initiative to expand homeownership. While it appears to be singular in nature, I believe it should be expanded. A robust down payment assistance initiative should be rolled out in every high needs region, including Appalachia, the Lower Mississippi Delta, the U.S. Mexico border and in Native communities. It should be meaningfully funded as well.

Between 2019 and 2020 through a Neighbor Works funded down payment assistance program conducted in partnership with Wells Fargo, and several other local banks, Hope provided down payment assistant grants of up to $10,000 to 257 recipients. A quarter of which were in rural communities. Of the 63 loans directly originated by Hope through the program, 90 percent were to black households, 63 percent were to women headed households, all but one borrower assisted was a first time homebuyer. The median purchase price of these homes with $81,000.

Importantly, the down payment assistance program under consideration by Fannie Mae should be crafted to complement a 100 percent LTV product. In our experience borrowers with credit histories to qualify for a mortgage are frequently hampered by the lack of assets that would facilitate having the ability to make a down payment and cover closing costs.

As an example, one of Hope's members who participated in the Neighbor Works down payment assistance program described earlier, had a solid credit history and stable employment. However, due to a divorce, the borrower neither had the resources needed for a down payment, nor the savings to cover the mortgage closing costs. Fortunately, Hope has a portfolio product that allows for borrower to finance up to 100 percent of the loan value of the mortgage. With this product, combined with a flexible down payment assistance programs to cover closing costs, the borrower was able to move from an applicant to a homeowner, where he is still today.

The borrower's story combined with the sobering statistics on the racial wealth gap, underscore the critical importance of the GSEs standing up and committing to the ongoing funding and management of a down payment assistance program in the Duty to Serve regions. And I believe both GSEs should engage in this action meaningfully.

Product expansion. Over the last five years, Hope has closed 970 mortgages for $116 million. Of those mortgages 77 percent by number and 76 percent by dollar were mortgages originated through Hope's Affordable Housing Program, HP.

The HP is one of the single most effective tools we have to build wealth in the black community through homeownership. Of the 749

HP mortgages originated over the five year period ,78 percent were to black borrowers, 57 percent were to women headed households, and 89 percent were to first time homebuyers.

The program is so effective, because it addresses many of the structural impediments created by the mortgage market. It doesn't require a down payment, will take up to 100 percent LTV. It doesn't require mortgage insurance. It will consider credit scores as low as 580, and it also uses nontraditional sources of repayment history that are taken into consideration during the manual underwriting process.

The success of this product is reinforced by low charge off rates. Over the last five years the annual net charge off rate for our mortgage portfolio has never gotten higher than 67 basis points.

Despite this impact on performance, there was one other consistent feature of this product. Fannie Mae and Freddie Mac could not purchase any of these loans. While this matters for Hope, it could have played a role in expanding the organization's ability to serve more households, it matters most because there is no single more powerful engine in the American economy to close the black/white homeownership gap in the GSEs.

And so long as Fannie Mae and Freddie Mac are leaving mortgages to black households on the table, relegating originations like these to the community development sector, and regardless of whether or not Duty to Serve benchmarks are met, FHFA and the GSEs are simply preserving the gaps and supporting the status quo.

This has to change. 583 black households are building wealth through this product. We can't be satisfied with a Duty to Serve program that is wide but not deep in the most economically distressed regions of the country.

Beyond Duty to Serve, the GSE purchases of mortgages made to black households covers between three or four percent year over year, several percentage points below total originations to black households nationwide, and well below those needed to close the gaps. We all must do better.

Of the two plans, the Freddie Mac plan exhibit's more potential to accomplish this goal. The plan acknowledges the current GSE product offerings do not meet the needs of households served by CDFIs, and it takes greater strides to outline an action plan for meaningful partnership with CDFIs. which should be a goal of both plans.

CDFI capitalization. The region remains plagued by historic and systemic racism in our financial system. Two statistics illustrate this point. In Mississippi in 2019, black borrowers earning over $150,000 a year experienced a denial rate of 34 percent. significantly higher than the rate for white borrowers earning between $31,000 and $51,000 which was 28 percent.

Disparities even exist amongst CDFI five banks. Looking at 2019 [inaudible] mortgage lending data, Hope found that among the 27 CDF five banks in Mississippi engaged in mortgage lending in the state, 71 percent of mortgage loans went to white bars, while only 13 percent went to black powers. This is lower than the statewide rate of mortgage originations in 2019 to black borrowers of 17 percent.

In light of these disparities, simply creating a channel to buy mortgages and addresses the challenges of the wealth gap does not go far enough. The Duty to Serve plan should also include provisions to provide capital and operating support to minority serving CDFIs. CDFIs eyes led by people of color, and/or with long track records of providing mortgages to households of color at significant and meaningful levels, well beyond existing rates of mortgage originations in the deep south.

The ability to make this happen rests on the authority and willingness of FHFA to bring this recommendation to fruition. Over the last several years, staff from multiple CDFIs met numerous times with Duty to Serve leaders from both Fannie Mae and Freddie Mac. They worked very hard to try to figure out a way to have -- make this happen. And on every occasion, we received the same response that the Office of General Counsel from FHFA has said that this is not allowed.

FHFA must figure out a way to empower a more proactive response by the GSEs department with the CDFIs, to reach the people in the region's facing the highest hurdles to homeownership in our country. Otherwise, we're all falling short on our Duty to Serve.

Again, thank you for your time on behalf of Hope and the Partners for Rural Transformation. We look forward to the final plans and working together during the next phase.

Toi Roberts: Thank you, Mr. Sivak. Thank you so much. We will now hear closing remark from Fannie Mae and Freddie Mac. First up, we will hear from Fannie Mae, Mr. Hernandez. Mr. Hernandez?

Mike Hernandez: Toi, I'm sorry, I thought we had Sarah Edelman on my team was supposed to have access so that she could offer the summary remarks. Can you make her mic live?

Toi Roberts: I'm sorry. Can you give us her full name?

Mike Hernandez: Sarah Edelman.

Toi Roberts: All right, Sarah Edelman. Okay. Just give us a moment and we'll add Sarah Edelman as a speaking panelist. And perhaps we can move on to Freddie Mac.

Mike Hernandez: That would be fine.

Toi Roberts: And come back to Fannie Mae. Okay, so Freddie Mac speakers, are you guys ready to speak? Mr. Dawson? Mr. Aber? James Cromartie?

Corey Aber: Yeah. Happy to speak. And so I can start. This is Corey Aber and then I'll pass it on to James. Thank you, everybody for all of your thoughts today. All of the feedback on our plan and some of the examples you gave. That was very helpful for us to hear. And we'll certainly be thinking through all of it as we work on the next draft, or the final plan over the coming months. And looking forward to seeing all the written comments as well, I suspect those will be very helpful to have as references as we think through the next steps. And I'm sure between now and then we'll also be in touch with many of you. So thank you.

James Cromartie: Thanks, Corey. Again, we've made meaningful progress and impacts together over the past few years. Comments and recommendations made today were insightful, impactful, and definitely appreciate it. As I go back through the pages and pages of notes that I've taken today, we certainly have a lot to digest over the next few weeks. We look forward to working with you to make these insightful and goals come to fruition. We continue to build on the foundation we started over the past few years. And thanks again for your commitment in the spirit of partnership that you all have come to this effort.

Mike Hernandez: Toi, were you able to get Sarah's mic live?

Toi Roberts: Thank you so much. Thank you, Mr. Hernandez. from Fannie Mae.

Mike Hernandez: So were you able to get Sarah's mic live?

Toi Roberts: We're still working on it.

Mike Hernandez: Okay, well that's fine. I'll offer the closing remarks so we keep us on time. And thank you for all of your engagement…

Sarah Edelman: I think I'm getting in.

Mike Hernandez: Are you getting in now Sarah?

Toi Roberts: Thank goodness.

Sarah Edelman: A lot of buildup here for my closing. Thank you very much.

Mike Hernandez: I'll turn it over to you, Sarah. Thank you.

Sarah Edelman: Thanks, Mike. Thank you all for your testimony, comments and for your ongoing partnerships throughout the first cycle of Duty to Serve. I want to share a little bit, you know, what I heard today and what we'll be digesting over the next few weeks.

One, the high needs rural regions are diverse and serving them well is important to fulfilling our commitment to diversity, equity and inclusion. Two, many high needs rural regions are low income, have credit challenges and/or debt obligations that get in the way of accessible -- of accessing stable housing or getting approved for mortgage financing.

Three, poor housing conditions are prevalent in high needs rural regions, and are increasingly risky as the climate warms. Ms. Williams referenced in particular, the heat vulnerability of households living in older manufactured homes. And finally, well not finally, but the last one I'll list here, is that CDFIs are core impact partners who are equipped to build and serve qualified borrowers in these regions over the long term. These are not new, but these are not -- these are not simple insights. These are the constant challenges that we need to face together.

So while it'll be premature to share how we'll consider amending the proposed plan, there are a few areas where we'd like to hear more and that I'll specifically call out for now.

One is, you know, thanks Nick and others who referenced the absence of Colonias in the plan. While we didn't specifically call out Colonias among the high needs rural regions, you know, we definitely look forward to expanding our presence during the second cycle of Duty to Serve, and we'll look forward to building on the strong partnerships that we've established there during the first cycle.

Down payment assistance. We have an objective in our proposed plan to roll out an initiative to improve access to affordable financing in these regions with a focus on down payment assistance. As we focus for this plan, as we said, the plan for the work and finalizing objectives, we're eager to hear a little bit more about some of the ideas that some of you shared today.

A few of you mentioned looking for alternative success measures, in addition to loan purchases. I'd love to hear a little bit more about that, as we consider how to best measure our impact in the new plan.

And then finally for now, we look forward to expanding our partnership with CDFIs. That already in the plan is an objective to build out our partnership with Native CDFIs, and also a product that will better meet the needs of borrowers on Native American trust lands.

You know, as many of you on the call have raised, there's a strong potential for this, for a CDFI broker model to expand access to financing in severely underserved areas. And it's really through this objective, where we want to continue working towards that vision.

You know, as we review our -- the outcomes of the ongoing Native CDFI cohort that's happening this year, we'll look to get more specific about the commitments under this objective, and also welcome additional engagement.

And then last for now, several of you have also mentioned that the GSEs could have the most impact by making equity investments in CDFIs for assistance. We agree it's an important tool. We look forward to reexamining, together with FHFA, how we might potentially, you know, explore a charter eligible investment. So thank you so much for all of your time and your comments today. And we look forward to moving the needle towards that goal.

Toi Roberts: All right, thank you, Ms. Edelman. Now this concludes today's session. Thank you all again for joining us today. We really appreciate and value your feedback. The public comment period closes on July 17th so there is still time to submit your comments. To submit written comments, we encourage you to visit our Duty to Serve website at www.FHFA.gov/DTS. Duty to Serve. Okay. Thank you everyone. This concludes our session.