



FACT SHEET: FHFA PROPOSED RULE ON FANNIE MAE & FREDDIE MAC DUTY TO SERVE UNDERSERVED MARKETS

SUMMARY

STATUTORY REQUIREMENT

Federal law requires the Federal Housing Finance Agency (FHFA) to issue a regulation to implement the Duty to Serve requirements specified in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing and Economic Recovery Act of 2008. The statute requires Fannie Mae and Freddie Mac (the Enterprises) to provide leadership to facilitate a secondary market for mortgages on housing for very low-, low-, and moderate-income families in three underserved markets specified in the statute:

- Manufactured housing
- Affordable housing preservation
- Rural housing

FHFA has issued a proposed rule that seeks to strike a balance between the requirement that the Enterprises serve families in these markets and their continued safety and soundness.

UNDERSERVED MARKETS PLANS

Under the proposed rule, the Enterprises would each be required to submit to FHFA a draft Underserved Markets Plan covering a three-year period, and the public would be invited to provide input on the draft Plans. The draft Plans would be posted on FHFA's website, and the final Plans would be posted on the Enterprises' and FHFA's respective websites.

The Plans would comprise "**Activities**," including **Core Activities** that the Enterprises would be required to consider in developing their Plans. The Core Activities represent nine categories of **Statutory Activities** and eleven categories of **Regulatory Activities** developed by FHFA. The Enterprises could also propose **Additional Activities** in their Plans. Eligible Activities would receive Duty to Serve credit (scoring points). If Fannie Mae or Freddie Mac decides not to include a Core Activity in its Plan, it would be required to provide reasons why in the Plan.

FHFA would also provide Duty to Serve credit for Fannie Mae or Freddie Mac activities that promote residential economic diversity in an underserved market for affordable housing in high opportunity areas or mixed-income housing in areas of concentrated poverty.

MANUFACTURED HOUSING

For the manufactured housing market, Duty to Serve credit would be provided for Regulatory Activities that Fannie Mae and Freddie Mac undertake related to financing manufactured housing units titled as real estate and not "chattel" loans secured by personal property, because real estate loans perform better, have greater borrower protections, and have lower default rates than chattel financing. However, the proposed rule invites public comment on whether the final rule should authorize Duty to Serve credit for the purchase of chattel loans.

Under the proposed rule, Fannie Mae and Freddie Mac would also be required to consider undertaking Regulatory Activities related to purchasing blanket loans on the following types of manufactured housing communities: small communities with 150 rental sites or fewer; communities owned by their residents, nonprofits or governmental agencies; and communities where tenants' site leases include certain tenant protections.

BACKGROUND

On December 15, 2015, FHFA issued a proposed rule on Fannie Mae and Freddie Mac Duty to Serve Underserved Markets.

The public comment period is 90 days from publication in the Federal Register.

FHFA invites comments on all aspects of the proposed rule.

FHFA issued an Advance Notice of Proposed Rulemaking in 2009 and a Notice of Proposed Rulemaking in 2010 but did not complete the rulemaking process.

[Link to FHFA news release](#)



AFFORDABLE HOUSING PRESERVATION

For affordable housing preservation, Duty to Serve credit would be provided for Statutory Activities that Fannie Mae and Freddie Mac undertake related to preservation of affordable housing funded under the following programs enumerated in the statute:

- U.S. Department of Housing & Urban Development (HUD) Section 8 Rental Assistance Program;
- HUD Section 236 Interest Rate Subsidy Program;
- HUD Section 221(d)(4) FHA Insurance Program;
- HUD Section 202 Housing Program for Elderly Households;
- HUD Section 811 Housing Program for Disabled Households;
- McKinney-Vento Homeless Assistance Programs;
- USDA Section 515 Rural Housing Programs;
- Federal Low-Income Housing Tax Credits; and
- Other comparable state and local affordable housing programs.

Duty to Serve credit would also be provided for Regulatory Activities that Fannie Mae and Freddie Mac undertake related to purchasing loan pools from small banks and community-based lenders on small multifamily rental properties of 5 to 50 units; Activities related to public housing properties that use HUD's Rental Assistance Demonstration Program; Activities related to properties in designated areas under HUD's Choice Neighborhoods Initiatives Program; purchasing energy efficiency retrofit loans on multifamily rental properties; and purchasing energy retrofit loans on single-family properties with Fannie Mae or Freddie Mac first mortgage liens.

Fannie Mae and Freddie Mac would also be required to consider undertaking Regulatory Activities that support preserving affordable homeownership for single-family properties under shared equity programs that are administered by a community land trust, a nonprofit organization or a state or local governmental agency. Eligible shared equity programs must ensure affordability for 30 years -- or longer if permitted by state law, monitor the units to ensure affordability is preserved over resales, and support the homeowners to promote successful homeownership.

RURAL HOUSING

For the rural housing market, Duty to Serve credit would be provided for Activities that serve rural areas generally. Duty to Serve credit would also be provided for Regulatory Activities supporting housing in high-needs rural regions, defined as Middle Appalachia, the Lower Mississippi Delta region, and colonias, which are communities located primarily within 150 miles of the U.S.-Mexico border in Arizona, New Mexico, Texas, or California; and Activities supporting housing for high-needs rural populations defined as members of a Federally recognized Native American tribe located in a Native American area, or migrant or seasonal agricultural workers, as defined in the proposed rule. The proposed rule would define a "rural area" as a census tract outside of a Metropolitan Statistical Area (MSA) as designated by the Office of Management and Budget, or a census tract in an MSA, but outside of the MSA's Urbanized Areas and Urban Clusters, as designated by the U.S. Department of Agriculture's Rural Urban Commuting Area codes.

EVALUATIONS AND RATINGS

FHFA would annually evaluate and rate Fannie Mae and Freddie Mac's performance under their Underserved Markets Plans by allocating points for each Activity performed and translating the composite scores to overall ratings for each of the three underserved markets. FHFA would report those results to Congress on an annual basis.

