CLINTON JONES: This is my very first Duty to Serve listening session. I think November 10 was my sixth month at the Agency. So I have a lot to learn. I'm looking forward to hearing all the topics today. On a personal note, I grew up in Kansas just the next state over so always glad to be back in the Midwest. As I understand this is the first of a series of listening sessions. We will be in Los Angeles on Thursday and we'll have a session in Washington, DC.

As you know, the Duty to Serve component is a very critical component of, to really our national housing policy and network. These are very difficult markets that the statute has required us to address in manufactured housing, rural housing, affordable housing preservation. And so our job here today is to figure out what we're doing right, what needs improvement and how we can always move the needle forward to do more in these particular areas.

The statute requires that Fannie Mae and Freddie Mac facilitate a secondary mortgage market for these critical areas. I think Jim will talk later on about the assessment for the 2018 performance and other updates. More importantly, I think for us, I think it's very important that, at least particularly for me and Jim to, very much hear the comments you have to say today, how we can actually make this a much better process, one where we actually are making real differences in these three components. So, without any further ado, I'll turn it over to the next person on the agenda. Would that be Michael?

MIKE EGGLESTON: Thank you, Clinton. Good morning, everybody. So, just by a show of hands, how many have been to the Federal Reserve Bank of St. Louis? Okay, so we have about two-thirds of you that have never been here.

Welcome to the St. Louis Fed. My name is Mike Eggleston. I am a Community Development Advisor here at the Federal Reserve Bank of St. Louis. And we have a team of about fifteen of us that focus on our disinvested, underserved communities within our 7 state district. And we all know why we’re here, but I just wanted to share with you a little bit about why we became interested in the Duty to Serve program which we really became familiar with about a year and-a-half, a couple years ago.

And that is because as we travel across our district and we’re meeting organizations and individuals, for our seven state district, housing insecurity continues to rise up to the top of the list as a major concern and the options for affordable housing are constantly being discussed and talked about in terms of what we can do to increase the options for affordable housing.

We have a survey called the Community Development Outlook survey and the last two times in which we released that survey housing affordability has risen to the top of that list. So we do take this issue very seriously and when we started learning about the Duty to Serve program, I will say we were kind of blown away, as we started digging into the Fannie Mae and Freddie Mac plans which span 150, 200 pages, very comprehensive plans that are addressing affordable housing options both for home ownership as well as for rental purposes.

And so we're really excited to host this conversation today. As Clinton said, there is only two other listening sessions around the country. These are three-year plans and so we're very fortunate that the Federal Housing Finance Agency chose St. Louis as a place to host one of the three listening sessions around the country.

So this is a really unique opportunity for you all to really provide feedback and insight as to what you all are seeing on the ground as to how these plans can be informed by peoples' lived experiences and what you're seeing maybe through research and whatnot.

So, really happy to be here. Quick housekeeping. If anybody needs to use the restroom it is out these doors, and you can also go in the back too, to the right. And lunch will also be served later on, right where the breakfast is.

So, thank you for being here. At this time I'm going to turn it over to Jim Gray of the Federal Housing Finance Agency.

JIM GRAY: Thank you so much Mike and Clinton. I want to welcome everybody to this first 2019 Duty to Serve public listening session. The session is intended as an opportunity for FHFA, Freddie Mac and Fannie Mae to all hear directly from you. And we really appreciate all of you who've taken time out of your very busy schedules to spend with us today, to let us hear what you have to say about the Duty to Serve program, how it has worked to this point and how you'd like to see it improve as we move forward.

My name's Jim Gray. I am one of the people who works on the Duty to Serve program at the Federal Housing Finance Agency. And I'm joined on this dais by several officials from Fannie Mae and Freddie Mac. You've already met Clinton Jones, but I'm going to ask the others to please introduce yourselves.

MIKE HERNANDEZ: Mike Hernandez from Fannie Mae.

COREY ABER: Corey Aber from Freddie Mac.

MIKE DAWSON: Mike Dawson from Freddie Mac, single-family.

JIM GRAY: Next, I want to express our appreciation on behalf of Director Calabria and the Federal Housing Finance Agency to Mike Eggleston and Lauren Pimmel and all the very conscientious staff at the Federal Reserve Bank of St. Louis who have done so much to organize this event for us and provided this nice facility. Thank you all very much.

Also, I want to note that we do intend to audio record this meeting for the purposes of transcription. So everyone needs to be alert to that because it's very important that people understand when they're being recorded. I will probably make this announcement another time during the day out of an abundance of caution but please do be aware that the meeting is being recorded and that we do intend to publish a transcript of the meeting on our website after these, all three of these listening sessions have been completed.

So, FHFA does place a very high value on public engagement in the Duty to Serve, and we have done so from the outset of the program. Congress targets specific markets that have been historically underserved by both Fannie Mae and Freddie Mac relative to other parts of the mortgage market.

Fannie Mae and Freddie Mac both have great capacity to improve the flow of capital into the three underserved markets-- that is, manufactured housing, affordable housing reservations and rural housing.

We recognize that not FHFA, Fannie Mae or Freddie Mac has by any means a monopoly on the understanding of what is the best way to reach these markets that we have not managed to reach for so many years and that is why we're very interested in hearing what you all who are closer to these activities than any of us have to say about the best way to reach these markets.

And to that end, I know we have a number of people who signed up to observe what is said today and we appreciate you all being here as well. But if any of the people who are here as observers who are not speakers at one of the upcoming listening sessions would like to speak today, we would be pleased to hear from you, even if you speak based on things that you don't hear until today.

And if anyone is in that category and would like to be added as a speaker, please see Rebecca and David here in the front at one of the breaks and they'll be happy to work you into the agenda.

Also I want to announce that we have now made public the reports, the periodic reports of, the annual report that both Fannie

Mae and Freddie Mac submitted in March as well as Fannie Mae and Freddie Mac’s quarterly reports that give you some more insight into what their progress was over the course of 2018. Those are now available on FHFA's website and we encourage you to take a look at that and to further your understanding of what is being accomplished in Duty to Serve and, again, where there are opportunities for improvement.

So, in terms of how this process is going to work, we will have a series – we will first offer Fannie Mae and Freddie Mac each an opportunity to speak at a high level about how they think 2018, the first performance year for Duty to Serve, went from their perspective.

After each of the companies has had this opportunity, then we will move to the part of the program where you, the people who have come for us to listen to today will have your ten-minute opportunity to speak. And when we get to that part of the program, we will have the first panel of speakers that you’ll see on the agenda, please move to the front row, so that when we’re moving between speakers we can be as expeditious as possible.

And then there will also be an opportunity at lunch for those of you – well, first there will be intermittent opportunities for people from FHFA, Fannie Mae or Freddie Mac at the end of the panels to ask questions based on the remarks they hear from you. So, please be prepared for that.

And then there will also be an opportunity during our lunch break for those of you who want- who have questions that you would like to ask of FHFA, Fannie Mae or Freddie Mac to ask your questions. And we'll talk more about how that questioning will work when we get to that part of the program.

So, if anyone has a question at this point that they think pertains to the whole group about how the process is going to work we can try to address that question now. Okay, looks like everybody pretty much understands what to expect.

GEORGE ALLEN: It's unclear to me whether – for our panel for the manufactured housing group, when it comes our turn to speak did you want us to move to these chairs or those chairs up front?

JIM GRAY: Thank you. That is a good question. I should have been more clear about that. So, Chris has taken the lead here, he's the very first speaker, so our request is that before we get to the first panel all the people who are on the first panel, please move to the front row so that as we're moving through the speakers you – the speakers will be coming to stand where I am standing now. Now, these chairs will, throughout the duration of the day, will be for the first two FHFA, then the next four a combination of Fannie Mae and Freddie Mac, one single-family, one multifamily.

We're scheduled to have three groups of presenters. The first group is to address the Affordable Housing Preservation Market, the second group the Manufactured Housing Market and the third group the Rural Housing Market. And there may be, depending on speaker availability, we may mix that up a little bit but that's the general framework.

Okay. So, at this point I'm going to turn it over to Mike Hernandez from Fannie Mae to talk about Fannie Mae's experience in 2018.

MIKE HERNANDEZ: Good morning, everybody. Yeah, that's it – I knew you were out there someplace. I haven't had my coffee yet, but I have a couple of cups to get going. Thank you all for joining us. As Jim said, this has been a very, very important session for us to get your feedback and hear directly from you on our plan and our successes, your other ideas and thoughts and things that we can learn from to continue to have a significant impact in our Duty to Serve activities.

I want to thank Mike and the Federal Reserve Bank of St. Louis for hosting us. This is a fantastic facility and of course to FHFA – Clinton and your team - for facilitating a great day's worth of activities and conversation.

Again, my name is Mike Hernandez. I am Fannie Mae's Vice President for Housing Access, primarily responsible for coordination of all our activities related to Duty to Serve across Fannie Mae. It's my pleasure to share with you a little bit about our, quick overview of our deliverables for this year, the successes, the accomplishments we've had and some of our early learnings as well as some of the challenges that we see ahead for our activities.

So, Fannie Mae's purpose and mission is to ensure that there's liquidity in the single-family/multifamily market everywhere, every day across the country while at the same time improving access to mortgage finance for those of modest means.

Our Duty to Serve activities complement our housing goals and our core mission to increase access to mortgage credit in three of the country’s toughest housing markets: manufactured housing, rural housing and the preservation of existing affordable housing.

And we’ve assembled a very competent team focused on delivering our results. But most important for me, and this is really transformative for the company, is that we integrate the objectives, the challenges of Duty to Serve into everything we do across the company. From the CEO down to our most junior analyst, we are actively engaged in thinking about and integrating all the greatest aspects of Duty to Serve, all the various aspects of housing goals and our mission in everything that we do. So it’s not just a one off. It’s not just a team of people over in the corner working on this. It’s really the focus of the entire company to meet these objectives.

We’re making a difference where it’s needed most through Duty to Serve. And we’re very proud of our results for this first year. I’ll tell you we weren’t perfect. We made some mistakes. We learned a lot. Some things worked, some things didn’t work. But we were able to learn from that experience to be able to put it into practice and better practice the next time.

So, let me jump in and share with you about some of our accomplishments. So, the first thing we did as part of our 2018 plan was to engage and to listen. We met with hundreds of industry stakeholders to discuss, create and solve for these solutions. We facilitated meaningful engagements and learning sessions. We obtained expert and practical, external input and we traveled. You can't solve these problems or understand them by sitting in Washington, DC or anywhere else behind your desk. You need to go out in the market, you need to engage local partners and you need to find out what's working and what's not working in these markets.

We went to trust land, we went to rural markets, we went to communities focused on housing preservation all across the country. We executed more than thirty research initiatives to inform our actions. And we launched a dozen marketing and educational campaigns to help people better understand the existing resources that Fannie Mae has and how we could use those to expand into our Duty to Serve activities.

And then we examined our existing suite of mortgage products and adjusted and changed what could be done in the near term so that we could test something that might work right away. And that was key. After listening and hearing there were some initial things that we could adjust and invest in and move quickly so that we could start seeing some, and getting some traction on some activities.

Let me share a little bit about some of the accomplishments in each of the three areas.

First, in manufactured housing. We grew our affordable manufactured housing real property business by a whopping 26 percent. That's a total of 12,604 loans. These are manufactured homes that are secured by real estate. This was one of our core challenges and a very important focus for us.

We also introduced our MH Advantage. A whole new designation for manufactured homes with features similar to site-built homes. Many people have not experienced what a new manufactured home looks like. Trying to help the industry take that product and integrate it more broadly across the country is an important objective so that we can help more families purchase affordable homes. And MH Advantage provides a structure that makes these homes very much like site-built properties.

On manufactured housing chattel financing we conducted research and outreach to inform a potential pilot studying the credit issues, servicing, data, consumer protections and other standards we could apply if we purchase these loans in the future.

We also launched a loan purchase program that provides pricing incentives for manufactured housing communities that incorporate tenant pad lease protection. That's an important part. Manufactured housing community financing is a big part of what Fannie Mae's multifamily division does, ensuring that the tenants have the opportunity and understand their rights in a park is very, very important. And this was an important pilot for us to launch this past year.

In the area of affordable housing preservation our team exceeded its goal for loans on Section 8 properties which totaled 25,370 units and 142 loans, and we supported the preservation and renovation of distressed public housing by purchasing loans on properties participating in HUD's Rental Assistance Demonstration. We did over eleven loans with 1,820 units.

We also increased the amount of Low-Income Housing Tax Credit debt financing, especially for those with longer use restrictions remaining, resulting in 84 loans and 11,502 units. This is a critical part of the existing affordable housing stock. If we don't keep this stock affordable and preserved for longer periods, we're going to lose it forever.

We built on our established single-family shared equity mortgage program by expanding our community land trust residential mortgage products and adding support for limited equity coops. Community land trusts are now becoming a tool that we're seeing many, many communities utilize. Being able to take the land out of the equation, lower the cost provides a very, very effective way for homeowners to be able to buy very affordable properties in markets where home prices continue to rise.

We also increased our support for borrowers and nonprofits purchasing our distressed single-family assets, resulting in 8,256 loans. We enhanced our single-family renovation loan product to make it easier to use and to include energy-saving retrofits.

And we purchased 1,072 multifamily, energy efficiency loans totaling over 223,000 units across the country.

A little bit about our rural accomplishments. We fully executed memorandums of understanding with Native American tribes that will allow lenders to do conventional lending to homebuyers on tribal land. And for those of you who haven't been active in this part of the market, these are hard transactions to pull together. You have to respect the sovereignty of the tribe. You have to structure the financial structure so that all aspects of the transaction are respected. It takes time to execute these initiatives and hopefully now with the MOUs in place we can move forward in getting lenders actively engaged on trust land.

We exceeded our single-family high needs rural loan purchase target by 9% in 2018 resulting in 11,700 loans. We partnered with two CDFIs serving high needs rural regions. And through our Low-Income Housing Tax Credit equity investments, we closed forty-two properties in rural areas for $118 million. We closed thirteen LIHTC investments in properties in high-needs rural areas, and four tax credit properties serving high needs rural populations. And these are populations like agricultural workers or members of a tribe or residents in counties with persistent poverty and in the Colonias.

And we want to thank FHFA for allowing the GSEs to get back into the tax credit equity business. This is a powerful tool for us to be able to expand affordable housing, especially in rural markets.

So, what were some of our early learnings for 2018? Well, first, relationships. Relationships are critical – they matter. Understanding and identifying who the partners that are willing to work with us, to work with our lender partners to identify those areas that have the most impact and help us understand how best we can serve that market.

Innovation. Challenging the status quo. Not just in the marketplace but even at Fannie Mae. We had to rethink many of our existing principles on how we were going to approach some of these challenging housing markets and rethink some of our credit approaches, our collateral approaches, our information and data approaches so that we could get comfortable with experimenting and pilot approaches and initiatives. Having that willingness to test and learn and test and learn and do it again is critical for a successful plan.

Action. Doing something now. We realized early on that yes, you need information, you need to do research, you need to study, but at the same time you need to take some quick steps. Where can we have some impact very early on and then how can we build on that moving forward?

Simplification. Whatever initiatives we put forward, have to be easy to understand, have to be easy to produce, to market and to service. Fannie Mae isn’t a direct lender as you know. We work through all our local partners, our lenders on the multifamily and the single-family side. And if we can’t design initiatives that leverage what they already do and that can expand what they already do, then they're ultimately not going to be successful. And that's a key for us.

And then loan tracking. Data is key. You've got to have the information to be able to determine how your product is performing. How the initiative is moving forward. We have to capture that information in ways that truly inform the performance and the risk of the new initiative. And we made some mistakes. We set up some things early on where we weren't capturing information we needed. We stopped, we paused and we captured what we did. We're trying to do it in a way that doesn't overburden our lenders and our partners, but having that data is going to be critical for us to be able to support ongoing initiatives.

And finally, there's a few challenges that we see as we continue to move forward. Fannie Mae's value is bringing products to scale so that they can be replicated, costs can be reduced, and investors will be attracted -- will be attractive to investor capital. So, as we learn more this year, this coming year, how do we take those initiatives that have the best opportunity to scale so that we can have that long-term impact? That's going to be key.

And as the Duty to Serve plans scale up and the objectives increase and you see that in our plan each year, they continue to go up, balancing the commitment of resources to those initiatives that have the best opportunity for impact. We want to have impact. We're going to be judged on having impact. And critical to that is we can't do everything everywhere all the time. Identifying those opportunities that are going to give us that impact for the underserved markets, for our partners and for the long term.

And finally, driving to get things done. We have to be regularly focused on continuing to enhance our engagement with partners, lenders, regulators, staying in communication but leaning in to getting things done. And that's a key focus of the company across the board but in particular in Duty to Serve.

So, in closing I'm very proud of our achievements in 2018 in our Duty to Serve plan. We have a great team of people. We've changed the conversation within the company and out in the marketplace. We're working with partners in very, very unique and effective ways. We're learning more. We're building on every new success that we have. And some of the challenges that I've shared with you. We've had another progressive, effective year in 2019 and we will continue that in 2020. And on behalf of all of us at Fannie Mae, I just want you to know that we're committed to these markets. We're committed to these objectives. There's nothing that we can't do together to stay focused on Duty to Serve and we thank you and look forward to your input throughout the rest of the day. Thank you.

MIKE DAWSON: Well, good morning. Corey and I will be tag teaming so (unintelligible). We welcome all of you and we thank FHFA and the Federal Reserve for coordinating and hosting today's events and activities here. And we welcome all of you. It's great to see all of you again. We've gotten to know many of you over the course of the last couple years. I know you will continue to challenge us on our efforts in these markets and we welcome those challenges.

When we started off with our Duty to Serve activities, we recognized that, you know, while we were in many of these markets in previous years and over the course of Freddie Mac's business overall, that we took the deliberate approach of ensuring that we weave all of the activities that we put forward into the fabric of this and we always asked ourselves is- if we're going to enter these markets and deepening our commitments within these markets, how are we going to sustain that activity going forward?

And we stuck to three principles here when we started off the activity, and these principles hold well across all of our business.

We provide sustainable liquidity into these markets. What Freddie Mac does best, is to be a catalyst for change. That catalyst is driven by standardization of information, data and appraisals and other activities to create a sustainable market, a marketplace, not only in these communities but in communities across the country. And through the distribution of investment capital. Again, as Mike said, we don't lend directly. We work through the lending community and other communities out there to provide financing for homes across the country.

But we also, within those financing of those homes we also lay off the risk. Our credit risk transfer programs and other assorted capital markets activities ensure that not only can we distribute risk, take on risk, but we can manage those risks appropriately across our portfolio of activities.

We develop solutions and presence in these markets. We can't do anything without all of your help and collaboration. We've formed some pretty amazing partnerships throughout the last couple of years and I know going forward those partnerships and collaboration activities are going to be key to all of our successes in supporting these markets. So as an institution, for myself, Corey, Simone represented here and we'll be here all day. We'll be in Los Angeles also so reach out to us with any questions certainly. But our commitment as an organization, from our board of directors all the way down, you know, we've had the luxury of ensuring we had the right resources, the right capital, as it were, to invest in these markets and we've been supported throughout the organization throughout. That's the one great thing about working for Freddie Mac is we're, as you know, a mission-oriented company and the reason why people stay at Freddie Mac for a while is because of that mission. Generally, just don't stay at companies longer than 30 years, but I've been there 34 years and I think a lot of that is the mission and activities such as Duty to Serve.

COREY ABER: When we looked at our first plan, so there are four parts of it that are really important to us. And the goal, again, was liquidity to the market, and sustainable liquidity. So we looked at -- we wanted to have some impact immediately so certainly we're leveraging products that we have out in the market today, leveraging relationships that we have.

But we also wanted to start, in many cases, with some really innovative and foundational research. And also outreach to communities across the country and to hear their problems. And also to educate those in the market about what we can provide today and then provide a meaningful impact. So we looked to leverage the products that we have but also develop some new offerings and develop some new partnerships to expand access to that liquidity in the market. And already we were focused on purchasing loans. From day one and actually, in a number of cases, before day one under Duty to Serve we were purchasing loans to support these markets.

We looked to grow that under Duty to Serve. And fundamental to that is our ability to transfer risk to protect the taxpayer and attract private capital to continue the flow of capital throughout these markets and give access to the capital markets to some of these (unintelligible) lenders in markets that haven’t had that access over time.

And so in our first year, first year-and-a-half, so we have had some (unintelligible) in the manufactured housing market and for multifamily where I work. We focused on how we support resident-owned communities. How we provide liquidity to that space. And so we did develop an offering that is tailored to resident-owned communities for refinances and conversions of those communities from investor-owned to resident-owned.

We also focused deliberately on helping borrowers move towards adopting those tenant protections required in Duty to Serve, to improve the goals and standards. To improve their lives and maintain the properties. And we found immediate receptivity to that offering. We did a lot of research the year before, in 2018, and we rolled out an investor community loan offering. And we again saw immediate impact.

In the rural market we focused a lot on how we can use our LIHTC equity platform to support rural markets. The customer is in some of the most underserved markets where it's really hard to take on the hard (unintelligible) debt. A lot of projects can't afford debt, so LIHTC equity is a really critical resource to being able to (unintelligible).

We also wanted to build understanding of what's out in the market today. So, the national market doesn't really understand where properties are in rural markets, how many of them have rural subsidies today, how many Section 8 properties are in metropolitan areas and the rural population centers, or tax credit properties that have been there for a while and are in need of preservation. So we developed a really comprehensive mapping software that maps the entire affordable housing market and also puts in place a lot of public policy overlays (unintelligible) HUD. And again, that's a lot of the Duty to Serve geographies. So we can all better understand what's pending and what we're looking at here to help support these markets. So they can learn about new properties that maybe they're not (unintelligible).

In the affordable housing preservation space, so this -- the multifamily is a business that we have been in for quite some time and have been growing that business over time. We were impacted when HERA was put in place, when the statute was put in place. We were a much smaller part of the affordable housing preservation market. We have grown that considerably. Last year, we did $7.7 billion of lending support through Duty to Serve, much of that in affordable housing preservation, and also transferred risk on about 90 percent of the loans (unintelligible) than we did in this market. This is something that we expect to continue to do, continue to provide liquidity for these markets.

MIKE DAWSON: So, on the single-family side -- actually before I dive into that. We do have a few copies, there are actually several copies of our accomplishments in 2018 on the table out front here. This describes in more detail the activities we pursued and accomplished within these markets. It’s a good read, take several copies.

But across all this activity it is driven by, you know, what are we showing as meaningful results in this space? Would it be primarily driven by purchases of mortgages and products offered into the market? And that wouldn’t have happened without the relationship and the outreach activities we’ve had with many of you and other organizations across the country.

So on the manufactured housing front, as we recognize and certainly Mike talked about this, too, is that certainly from a housing supply standpoint there's an acute shortage of affordable housing in the United States today and one of the bright spots in this market, certainly is factory-built homes. Well-built homes that in a lot of cases exceed the capabilities and the qualities of many site-built homes.

And so our launch of the ChoiceHome program, our work with the Appraisal Institute in working and training appraisers across the country to ensure HUD-certified, certain specified homes in the market are treated identical to site-built homes. It's groundbreaking and game-changing in this market. And it's going to have a residual and other effects across not only the factory-built space but other segments of the housing market overall. So we view that as a big deal. I know many of you do, too, and but it also challenges us to look for other opportunities certainly in the manufactured housing space.

In the rural housing space as you all know, the aging inventory, challenges associated with appraisals, again, in that area, ensuring that there is consistent valuation of those homes and plus the ability to renovate homes in those markets are key components. We launched what we call our Choice Renovation program in those, not only in rural markets but across the country to help those to renovate some of that decent housing stock and potentially I hope they take advantage of some of the opportunities not only in rural areas but other areas across the country.

Other areas that we launched and enhanced, our sweat equity programs and helping those use some of their labor skills to provide downpayments for homes in addition to renovating some of the housing stock that's also out there. We identified the others -- the need presented to us by a number of the organizations that we work with. And certainly, you know, the numbers speak for themselves. We continue to make a difference in the rural housing space from a purchase standpoint.

Under affordable housing preservation, you know, one of the other challenges that we saw in this space was consistency and standards within the community land trust organization. That's what that "launch CLT," the CLT mortgage is the community land trust mortgage activity. Again, there was a common theme across the activities whether it be manufactured housing, rural housing and housing preservation, it was the lack of, I think of a consistent view or policy as it were for, and standards, for our home purchase programs. So, we standardized a number of these activities with help from our partnerships with many organizations out there to ensure that they knew when they originated mortgages that we were always a buyer of that product and we would continue to be a buyer of that product going forward. And that's the benefit of standardization in these markets overall.

We also launched our Green Choice mortgage which provides certain capabilities for energy efficient mortgage originations across the country. So a lot of great progress in this space, and again, the first steps in a long journey, no doubt.

COREY ABER: I know we're here today to talk about the next plan, starting in 2021 and what we can learn from you, what we can do there. But we have the first plan, we do still have another year to go after this and there's more work that we're planning to do. We expect to expand the adoption of tenant protections across the manufactured housing market, we expect to invest more LIHTC equity in rural markets, and we expect to continue to provide liquidity to the affordable housing preservation market, across different segments of the market.

MIKE DAWSON: So, I touched on a number of these things also, but in 2020 and beyond, it is driving deeper acceptance of these mortgage products and partnerships across these activities and in addition to the activities that (unintelligible) our mission overall. So, we'll see expanded support, expanded purchases, and also our ability to drive from the existing plan and in development of our future plan.

So, just as we heard earlier there's a number of challenges in these markets. Certainly solvable, but they will take time. The first one here is zoning laws, around factory-built housing is one good example.

Familiarity with these types of homes, we've spent a lot of time internally at Freddie Mac driving familiarity of factory-built homes within our own organization because you know, many people thought of them as trailers. Our CEO asked, hey, why are you buying trailers? It was in the form of hey, let's take you out and let's visit these factories, let's visit some of these developments associated with these homes and get a different view, again, from the top of the house on down.

So, we've been very successful within the organization around that. But, you know, there's work to be done within communities across the country familiarizing themselves with the capabilities, in this case, of factory-built housing. We talked about standardization, so we talked to, and actually lender adoption of new initiatives. One of the things that we noticed or actually we saw, and you all see on an ongoing basis with overall mortgage interest rates dropping in the second half of the year, a lot of lenders shifted their focus and appropriately so, to refinance activities. So new purchase activities and others -- there wasn't a whole lot of bandwidth for them to explore new products in this market. That's going to change as refinances start to level out a little bit, but, you know, certainly not a hurdle, but, you know, just a matter of bandwidth for some of our lending partners.

We talked about appraisals and consistency of valuations, whether it be from a rural property or energy-efficiency space. Again, we've spent a lot of time with the Appraisal Institute and will continue to educate and train appraisers across the country. Because as you know, valuations are a key component that drive at least our business overall. If you can't value something, a builder's not going to build to it. They know, if they don't think they're going to get paid for energy-efficient features or others they may not do it. So, if you ascribe a value to it it's going to help the full chain and ecosystem that we support at our organization.

So, with that, you know, we're all about continuing to build a better housing finance system at Freddie Mac. So, again, we're here to hear from you. We're here to learn from you and we're here to put some actions in place based on your feedback, so thank you very much.

JIM GRAY: One of the responsibilities of FHFA under the Duty to Serve is to evaluate and rate both Enterprises' performance each year. There is a very succinct written document that FHFA put out on October 30th. We're actually required to report the results to Congress every year. This report is called the Annual Housing Report. You can find it pretty easily on the FHFA website. In addition to reporting on the Duty to Serve, it also reports on the affordable housing goals that Fannie Mae and Freddie Mac are responsible for. It's a fairly hefty report but the narrative describing the Duty to Serve performance of Fannie Mae and Freddie Mac is only about eight pages and I would commend it to you.

As I was preparing early this morning to talk to you all, I expected that these guys would do their usual very good job of highlighting the things that they've accomplished. There are a couple of things that I will go back and highlight, but first let me say that what FHFA decided to do for the 2018 evaluation was to rate both companies as Satisfactory because in such a complicated system with so little data it really wasn’t possible to reach more granular ratings in the first year. We’re hopeful that we will be able to do more and see more as we have more experience and data under our belts. But that was the FHFA rating for both companies for 2018.

So, just to highlight a couple of things that have already been mentioned by both companies. In the manufactured housing market, they each have this product on the real estate side that shows a great deal of work with the industry to try to have a financing product for manufactured homes that look much more like site-built homes. That is an example of something where despite all the work that was done in 2018 there’s not -- because of the lead time at the factories, there’s not a lot of production yet. We are hopeful that in the future we’ll see more of that production.

And on the chattel side both companies have done an enormous amount of research and outreach, modeling to try to get to a place where they could be comfortable if at the right time they could have a chattel pilot. I think both companies mentioned the pad lease protections, this is something that during this last year has become a very important point that has been made widely throughout the manufactured housing industry of what a disadvantage people who lease pads in manufactured housing parks are to tenants in a rental building. Both companies have made big efforts toward trying to level that playing field so that manufactured housing tenants are on a level playing field with a site-built rental building.

For Fannie Mae in the preservation market, maybe I missed it but in addition to the things -- and maybe you said it Mike, but the work that Fannie Mae did on distressed properties was especially noteworthy. You'll see that called out in our Annual Report.

And then for Freddie Mac in the rural area, I don't think you mentioned this, Corey, but we felt like the work that Freddie Mac did with small financial institutions was particularly noteworthy and you'll see that in our report. And also just last week Freddie Mac hosted what they're, at least for now calling the first annual rural housing research symposium which brought together a large number of researchers in the rural market to really try to advance that goal, and that was another very noteworthy activity.

So, having talked about a lot of the accomplishments also for FHFA there are a number of learnings from the first year of operation of Duty to Serve and my colleagues Rebecca Cohen and David Sanchez over here in the front row have actually spent a great deal of this year looking at our processes and coming up with suggestions for how we can improve it. We're still working on that at FHFA.

We know that the plans were too long and too complicated. We need to have documents that will allow our stakeholders such as you all, to be able to digest them more simply. That's just the beginning. We're really taking -- with a new administration, we're taking a top to bottom look at Duty to Serve to see how we can make the program more responsive in the future.

So, with that, I think that concludes this introductory part and now it’s the main event. I am going to ask -- I think we have a couple of the main speakers who have already moved to the front row. The other people from the affordable housing preservation market, if you wouldn’t mind at this time moving to the front row. We can now begin this part, and I’m going to introduce Chris Krehmeyer, the President and CEO of Beyond Housing.

And I’ll remind Chris and the other speakers that we will have a clock on this podium here.

CHRIS KREHMEYER: Thank you again for this opportunity to talk about the important work that happens through FHFA. I have prepared remarks and I’ll get through them quickly. Again, my name is Chris Krehmeyer. I’m President and CEO of Beyond Housing. We’re a comprehensive community-building organization here in St. Louis. We operate multiple lines of business, really community-focused, from a rental portfolio of five hundred units, we’re the region’s largest provider of downpayment assistance and homebuyer advisement services. We do comprehensive economic development work. We own a grocery store, a movie theater, a coffee shop and we’re going to build another building where we’re bringing more restaurants and a pub to our community. We have staff embedded in our schools. We have an after-school program, a summer program. Community health workers. So as the name implies we do a lot of work beyond housing but our core is indeed in the housing space.

Before I go to my prepared remarks I would be remiss not to add just a couple of things on the larger scope. And clearly listening to the representatives from Fannie Mae and Freddie Mac, they're doing great work. They're providing resources, they're being innovative under their Duty to Serve requirements.

But I will allege something further than that, beyond the GSE conversation, beyond that FHFA conversation, and reflect that we have a duty to make sure that all the children in our country have a decent and safe place to live. That every family whose mom or dad goes to work every day and works hard should be able to afford again a decent, safe and affordable place to live. I believe we have a collective duty to make sure that neighborhoods that have lacked investment and have lacked the opportunity to grow, longitudinal institutional racism playing a big part in that, that we have a duty to make sure that all of us say yes, what we just heard today was great, but it is woefully insufficient, both from a public sector standpoint, the world of philanthropy is woefully insufficient relative to this work. And the role of the private sector, again, clearly needs to be greater than it is today.

We've failed in all those duties. And that's just honest and true. It's not that they're not working hard, that I'm not working hard, that a bunch of you aren't working hard. We just haven't gotten there yet. And I would urge us to recall Dr. King's impatience. I just re-read *Why We Can't Wait*, which is in essence his book about the letter from a Birmingham jail. And he got weary of folks saying, why do you keep pushing, Dr. King, why do you keep pressing so hard? Well the reality is 56 years later, while we clearly have made some great strides, we have a long way to go in terms of bringing justice to the families and the communities in this country.

My prepared remarks. I want to thank FHFA for rightfully incorporating shared equity homeownership in the Duty to Serve rule under affordable housing preservation, as these models preserve homeownership opportunities for family after family who owns and resides in these homes. These low-income families have lower-cost affordable homes, but they need mortgages in order to reach their goal of homeowning.

I'd also like to thank Fannie Mae and Freddie Mac for including shared equity homeownership in their three-year underserved market plans. You will realize that -- we realize this was a choice and you could have selected other affordable housing preservation activities. So the first thing I'm asking for you to do is include shared equity homeownership in your next three-year underserved market plan because the work is not over.

In fact, while we have appreciated the work done to lay the foundation for increasing liquidity to shared equity borrowers during the current plans, we believe that more aggressive loan-buying goals and activities must be pursued. Because ultimately loan buying has not substantially increased, and buyers are still facing challenges obtaining mortgages. The demand for shared equity homeownership is great. The Joint Center for Housing at Harvard recently published a report supporting that 6.6 million households could become homeowners if shared equity loans were made available to them.

Therefore, I recommend the following. FHFA needs to clarify some aspects of the shared equity homeownership definition to remove barriers for assessing those buyers in shared equity programs who qualify for DTS credit. Specifically make it clear that if a program has, in their legal documents, for a policy that limits the amount of refinance from lines of credit but does not expressly state that the program must provide written approval, this should meet the intent of the regulatory definition. Alternatively, if the program subordinates during a refinance then this should count as reviewing and approving the refinancing, and home equity lines of credit as well.

Next, grant permission for programs to be assessed for the DTS definition of shared equity once every two to three years. Far too much time is going into evaluating programs rather than serving the buyers of these programs. Make this clearer and easier.

FHFA, I recommend that you assign extra credit to the Enterprises for shared equity homeownership activities. In particular, loan volume. Lending to shared equity homebuyers has proven incredibly challenging, and more needs to be done to minimize the burden on financial institutions to review these programs, underwrite programs and buyers, and originate and sell to the Enterprises.

Lastly, FHFA, I implore you to allow the Enterprises, as allowed by statute, to make investments in shared equity homeownership. The Grounded Solutions Network has ample suggestions for investments that would also increase the scale of shared equity homeownership to serve more families. Investments need to be allowed and adequately given credit for addressing underserved markets.

Fannie Mae and Freddie Mac, we urge you to support the development, dissemination and adoption of a model deed-restricted covenant for shared equity programs. To date, organizations across the country have no standardization for implementing deed-restricted shared equity. They all reinvent the wheel, and lending institutions must then review each program's legal documents separately, many of which cannot work for the secondary market. (Unintelligible) value to cities and programs who adopt a standardized model document, so it's well worth the investment and effort to streamline these programs and lending for other buyers.

Remove the burden from the lenders to evaluate if programs meet the DTS shared equity homeownership definition as well as selling guide requirements. Those can be done by minimizing some program underwriting requirements or by creating some sort of third-party assessment for shared equity programs.

Support the creation of an appraisal training and instructional resources to assess resale values as well as valuation for resale restrictions that survive foreclosure. Current methodology varies across the Enterprises, for how to appraise shared equity property and lenders have requested clearer training and resources to provide to appraisers. The Enterprises should address this need.

And lastly, assess the scope of the field to understand how many shared equity homes are held on land in trust and how many are deed restricted. Once again, thank you for the opportunity to be here, and thank you for allowing us to speak.

DAVID SANCHEZ: Is Bill Hudson in the room? Okay so I don’t think Bill joined us today, so I think next we’ll move to Glenn Burleigh.

GLENN BURLEIGH: My name is Glenn Burleigh. I am here on behalf of the St. Louis Equal Housing and Community Reinvestment Alliance and the Metropolitan St. Louis Equal Housing and Opportunity Council. The Metropolitan St. Louis Equal Housing and Opportunity Council is the area’s fair housing initiative program, partnered with HUD, which means that we provide fair housing and fair lending enforcement. We have services on both sides of the river and the metropolitan area.

And the Community Reinvestment Alliance is a group of over two dozen organizations that are working to increase lending in low- and moderate-income communities throughout the metropolitan region. So I’ll just get to my comments. Normally you would probably have Elisabeth Risch, my supervisor, would be the one here today, but she’s out on maternity leave, so I’m here in her stead.

So thank you for allowing me a few minutes of your time.

SLEHCRA, as I was saying, the Community Reinvestment Alliance, is a coalition of over two dozen organizations that work to encourage lending in low- and moderate-income communities and communities of color across the St. Louis metropolitan region.

We advocate for increased lending under the auspices of the Community Reinvestment Act, also known as the CRA. In the decade since the coalition's founding, we have worked to increase lending in low- and moderate-income communities and communities of color across the St. Louis metropolitan area.

Despite our efforts, small business and mortgage lending remains anemic in northern St. Louis City, much of North St. Louis County and the Metro East. In recent years only four percent of the loans in St. Louis City have been issued north of Delmar, in the city's traditionally African American, super-majority areas of town. That's four. So I'm here today to raise some concerns that the coalition has with potential changes to the Duty to Serve, that would impact secondary market activities for affordable housing preservation.

First things first, the purchase and rehabilitation of certain distressed properties. So in regards to affordable housing preservation changes number two, which would revise the baseline and targets for loans originated for the purchase or rehabilitation of distressed properties, we would ask that the FHFA deny changes in the methodology and (unintelligible) the broad definition of the total numbers of distressed properties available in the market.

For example, not just the current REO inventory. A broad definition would keep loan purchase standards high. In some markets with already low lending activity any further damage to the availability of capital to lenders relying on the secondary market, would in turn be damaging to low- and moderate-income communities in our region.

SLEHCRA also supports expansion on the energy and water efficiency loan programs in the multifamily. Investments into more energy-efficient multifamily buildings then transfer down to tenants in the form of lower cost of living over the long term. So we see that expansion of these kind of loans to affordable housing multifamily projects would be a good move for tenants who would then downstream benefit from these efficiencies.

We would also like to suggest that there be special consideration for transit-oriented development. So in many cities what we're seeing is a considerable portion of the housing stock is being created near a bus or light rail stop. And we think that the FHFA can offer points in cases where the local jurisdiction has undertaken planned development near transit locations, that have affordable housing built into the development itself.

Furthermore, in regards to any changes to the duty to serve that could impact lending to properties using Section 202 funding, it is essential that any changes undertaken support high levels of lending in this area. Missouri has an aging population, so ensuring that we have long term assets to affordable housing for our seniors is an important thing for us in this part of the country.

In regards to the proposal to incentivize Enterprise financing for projects that promote economic diversity. SLEHCRA recognizes that integration is both a local and a national goal, which received an important boost here in the summer of 2015 when the Supreme Court upheld federal fair housing efforts and enforcement.

FHFA's proposal be consistent with federal banking agencies, providing an interagency question and answer document on CRA, which encourages banks to participate in community plans that promote mixed-income housing and integration in gentrifying neighborhoods.

Lastly, SLEHCRA would echo the call of many other groups who have called for Duty to Serve goals to be expanded to explicitly include minority homeownership with specific targets for individual racial and ethnic groups. This is consistent with the authority under HERA, and would address the growing national crisis in minority homeownership.

These are the primary concerns and suggestions that Community Reinvestment Alliance would like the FHFA to consider in their deliberations around potential changes to Duty to Serve.

As I mentioned at the beginning of my comments, many parts of the metro region currently suffer from a severe lack of access to capital despite the duty to serve. In light of lack of access to capital, it is imperative that any changes to Duty to Serve do not further inhibit lending activities in any of these communities, and that any changes undertaken result in increased capital access to low- and moderate-income communities and communities of color.

And again the St. Louis Equal Housing Community Reinvestment Alliance, and I want to thank you for your time, and would like to thank you for coming to St. Louis, and for allowing public input on this important matter. Thank you.

DAVID SANCHEZ: Thank you Glenn. Next up I think we have Mike or Andrew Klein from Empower Missouri.

MICHAEL KLEIN: Good morning and thank you for this opportunity to provide input about what should be included in the future planning for affordable housing preservation. I'm Michael Klein. I’m a retired ACSW- MSW, Director of Social Services for the Salvation Army. We cover all of Missouri and Southern Illinois.

I've worked in housing-related issues for 32 years and have experienced and fought for affordable housing for very low-income and homeless families. I am representing Empower Missouri today. It’s a statewide nonprofit that does advocacy on a wide range of social welfare agencies as well as incredible work with housing.

During these years, I have met poverty face to face. And I'm so happy to hear you talk about moving into the community and walking the walk with the poor, with the homeless, the low-income housing families. I’ve met face to face, I've listened to, I've walked with, eaten with and visited with families living in unbearable housing conditions. Most important is that they live with the pain of uncertainty in their hearts of finding affordable housing that does not endanger their families.

St. Louis County executive Sam Page just recently stated, referring to conditions in Wellston, which is a very serious issue in our community right now, but he said all of our neighbors should deserve safe and affordable housing. Now this followed his successful pushback for a 120-day pause in HUD's plan which would have demolished 201 units of public housing, which would have affected -- displacing 500 people. And left the tenants' rental vouchers to use in the open market. It's a wonderful thing, but the problem is vouchers and many landlords refuse to accept in St. Louis County, in St. Louis city. So we say the demolition of affordable housing just is not a good thing for our community.

And I'm going to quote Chris Krehmeyer. Chris is almost an icon in our city, in our community, about fighting for the needs of low-income families for housing, and all the other things that he mentioned in his talk. But he's saying that there's such a great unmet need for affordable housing all across the country. There are scant additional resources to help minimize that gap. And so we're making an appeal for more resources for people living in suburbs, such as Wellston.

Now I'd like to add some reality and sobering facts about the affordable housing preservation in our area. Empower Missouri is the local state partner with the National Low Income Housing Coalition, and they examined the affordable housing stock across the country. They report that the St. Louis area is short approximately 60,000 units for extremely low-income households in our community. Now these are families whose income are at or below the poverty guidelines, or 30 percent of their area median income. The concern that we talked a little bit about this morning, Missouri will lose tens of thousands of currently existing affordable housing, as Low-Income Housing Tax Credit units roll out of their affordability period.

Sometimes it’s 15 years, can be up to 30 years. This is often the only quality new affordable housing that is developed. This will worsen the affordable housing shortage around the state. Without a statewide match in Missouri, development of these units has slowed significantly.

So what do we prioritize? It’s vitally important that people in our state are able to maintain affordable housing. This means a deeper level of investment, preserving affordable housing for those earning the lowest income. Black and brown families are disproportionately affected by eviction and foreclosures. Lisa D’Souza, she's a Legal Services of Eastern Missouri attorney. She represents the Wellston Tenants Association. She stated, our region has this sad history of disinvestment of black communities. And we have a sad history of displacing black communities. Every time we want to redo or revitalize an area, it seems like we push people out before we make it better. There must be a better way forward that will not result in a permanent loss of affordable housing in a community where it's desperately needed.

According to The Washington Post, a recent article, something that we face all the time, racism and rollbacks of government policy are taking their toll. Alanna McCargo who is the Co-Director of Urban Institute's Housing Finance Policy Center, she stated, and we said this probably a number of times this morning already, there's no silver bullet for fixing the housing imbalance. But she recommends and we with her agree that there needs a stronger consumer protection to police unscrupulous lenders.

Number two, we need more flexible or alternative credit models for greater access to mortgages.

Number three, we need to expand down payment assistance programs at the state and local levels.

And number four, which is probably just as important as any of them, favors a better financial counseling for new homeowners.

Many of these households are severely cost burdened. They're spending more than half of their income on housing. Severely cost burdened family households living in poverty are more likely than other households to sacrifice other necessities like healthy food and health care in order to pay their mortgage.

These are the challenges that low-income and very low-income families are facing. As you're trying to walk the walk, as you're trying to get out of our offices, and go down to the street, get messy, get dirty, walk with others. We feel their pain and their frustration. They're starving for a message of hope, of self-value, of peace, of appreciation. And finding affordable housing and support services that help them.

We encourage Fannie Mae and Freddie Mac to invest in these three underserved markets but for our presentation this morning, affordable housing preservation. We ask for your favorable consideration that you include affordable housing preservation in your second DTS underserved market plans. You have in the past, and we request that you continue to make a difference in this underserved market. Thank you.

DAVID SANCHEZ: Thanks Mike. Do we have Tracy Jeffries here with us today? Or Lisa Potts? Then I think Pamela you’re up next.

PAMELA MCLUCAS: Good morning. I want to say thank you to FHFA, the Federal Reserve for being here and again, selecting St. Louis, to be here for this listening session. Very brilliant move.

For me personally, as a real estate professional, I represent Inhabit Properties, LLC. I am the Associate Broker but I own the brokerage. And I chose to serve underserved markets in St. Louis, particularly North St. Louis City. Part of my decision arose from being in the industry, knowing that the real estate professionals have participated throughout time to contribute to why we need affordable housing. We all know that there has been unfair treatment along the way.

And I would hear my cohorts say things like, oh I don't want to serve there, because we don’t make any money. Oh I don't want to serve there because the people don't understand the process. And my thought would be, that’s all the more reason to serve. Part of the Realtor preamble reads, under all is the land. And so those people who purchase property for the same purposes of anyone else who purchased property, I've always believed should have the same rewards and return as others who purchased property.

I specifically want to speak to the appraisal issues that we encounter in our community. The same housing stock is one quarter the value of the housing stock across St. Louis on the south side. The same housing stock. Oftentimes homes are older in North St. Louis than they are in South St. Louis. But the historical value of it is, it's remarkable.

I had an opportunity to experience living as a benefit from the affordable housing trust fund. An apartment complex, our community. It was a new start in my life, and I'm speaking personally - ground level today - so that this can be continued.

I started over and I moved into an apartment complex that was rehabilitated. The pictures that I saw, my building that I lived in, only had three walls. They restored it. When my family, my children and I, starting over in life, it was a completely new building.

So many times, we know that value is just a perception. And it depends on who determines what that perception is. Where they are. Well I propose today that through the preservation of the affordable housing, that you are in that space.

I think about Hamilton Heights Neighborhood Organization, a 32-year-old CDC. They did well. They'd fallen on hard times. But it was that advocacy of affordable housing that said, let's help preserve. There are 36 units, 15 of those units are still occupied by families who have been there for between eight and 12 years. They are long-term tenants. They have a safe place to live, because of affordable housing. They are low-income, the buildings are in repair, in need of repair, and we'd like to continue to see them live there and others, and to transition between the Section Eight renters moving into homes. We'd like to see that bridge. We'd like to see them cross the bridge.

So I thank you. My remarks are short today, but I just wanted to give a heart experience. We are real people, these are real people, needing real help, needing real safety and stability. Looking for that, looking for jobs so that they could put an end to poverty. We understand that homeownership is the first step in wealth. And that is our message. That is my personal message. That is Inhabit Property's message to the people. Thank you again for your time. And I appreciate it.

DAVID SANCHEZ: So that's the end of our -- the speakers who have signed up in advance to speak on the Affordable Housing Preservation market. I think if anyone who's just an attendee here in the audience wants to speak up on Affordable Housing Preservation, we would definitely welcome your remarks. If not, I think we're going to go to a session -- a period where FHFA and the Enterprises can ask questions of those who just spoke.

JIM GRAY: Thank you David. So I think we might have a couple of new people from Fannie Mae who have joined us. So I want to start by asking you all to identify yourselves and your role in the company.

CRYSTAL BERGEMANN: Sure, my name is Crystal Bergemann and I work on the affordable housing preservation multifamily side. Thank you all for your comments.

NATE SHULTZ: My name is Nate Shultz, and I do strategy and product development on the single-family side for the affordable housing preservation market.

JIM GRAY: Great. All right, so who from this panel, along this aisle with me -- would like to ask the first question of our first group of panelists?

MIKE DAWSON: Not quite a question but I would like Simone to spend a minute on deed-restricted properties and community land trusts because I know comments associated with those types of properties, on the shared equity piece, we could go a little bit deeper about those programs.

SIMONE BEATY: Sure.

JIM GRAY: Simone, would you mind coming to the lectern?

SIMONE BEATY: Thank you and thank you for all the feedback and comments you guys have raised in the preservation space. So to Mike’s question, so we do at Freddie Mac, we did release offerings last year in the shared equity space where we have both income-based deed-restricted mortgages and purchase of community land trust mortgages.

We created underwriting requirements, appraisal requirements.

We have training available. We did basically set the parameters for eligibility along the lines of the Duty to Serve rules that basically give both program stewards that have programs and lenders the guiding principles of how we would intake those mortgages.

And so we do recognize that there are still many challenges, both not only on the qualifying product, and I did hear Chris’s comments around the lender requirements for establishing eligibility for the program that’s still a hurdle and so that we’ll be taking that feedback back to see how we can further streamline the process so that, you know, the lenders and program stewards aren’t necessarily encountering obstacles around supplying information back and forth, to determine eligibility for our programs to be able to progress with the financing and qualifying of the borrower.

And on the flipside, we definitely hear you on the appraisal side. The appraisal side is unique, because we are looking at potential properties where we are not only acknowledging the market value, but we're also acknowledging the value of the property with the restrictions or the treatment of the shared equity subsidies in place.

And so any training that we can provide around that space, we definitely see the benefit. We have been offering appraisal training across all of the Duty to Serve cohorts because we recognize, to Mike’s earlier point, that if we can't get to a meaningful value for properties, then that usually -- it’s a [inaudible] for lenders to continue lending in that space if we know they will run into valuation issues. And then we don't want valuations to also depress the value of properties. That we can essentially grow the opportunity of units of these affordable properties into the market.

And so we definitely see the value of putting more guidance and training around valuations. And so with our offerings, the point of these questions in our outreach is to figure out how to further finetune our initiatives so that transactions between the lender, who is our partner to get loans in, and you all, are a little bit smoother and easier to process and we can grow the opportunity. That's the name of this game for Duty to Serve, it's liquidity. But for us it's growing the opportunities to get more affordable units financed, so that we can provide direct capital for those that are out in the marketplace.

JIM GRAY: All right. So can we let Fannie Mae have a question?

NATE SHULTZ: Sure I have a question for Chris. You mentioned liquidity constraints, which Fannie is familiar with. And I just was curious to know more about your understanding of what's driving the liquidity constraints in the shared equity space, and (unintelligible).

CHRIS KREHMEYER: Well the reality is that the adoption of anything new is always hard. Right? It's new and then on the ground real life, loan officers are like, If you make the transaction hard for me I'm not going to spend my time on that. So I think it's just a matter of you guys staying with it, keep pushing, keep streamlining, keep seeing where the hurdles are. And again telling the lenders, this is the place we're going to be in and we're going to support you and you have a place to, again to do these kind of loans.

And just keep pressing that. Again the banks are looking for areas of opportunity work- to make those margins work. And they find new opportunities for shared equity and new opportunities for lending. Again, it's just about continued adoption of, and your guys' continued support of, we want to make it easier, we want to make it more streamlined. We want to, again, have this tool in your toolbox. It is a legitimate product that you can put out in the marketplace.

NATE SHULTZ: That's helpful. I think that one of the challenges that we've found is influencing precisely what drives the liquidity constraints. Is it lender unwillingness to engage with these products? Is it lender lack of awareness that the GSEs are now engaged in these markets? And so really pinpointing that is helpful for us in the markets. And how we conduct outreach, you know, and what exactly is needed in the markets, so that's helpful.

CHRIS KREHMEYER: And as I say, again, if you guys can share any innovative things that you see on the loan officers' incentives for harder deals.

NATE SHULTZ: Yeah.

CHRIS KREHMEYER: Right, again, if you're going to be in this space, you're spending more time on it, which means you have less time for other transactions and that's going to, again to reduce your income, right. So how do we get there? Are there innovative ways for you guys to incentivize being in this space for particular loan products in the harder markets that might not be a break for you but will incentivize your (unintelligible) and share that with the lenders on the ground. That would probably be helpful.

JIM GRAY: Great. Clinton?

CLINTON JONES: Well first I want to thank everyone for your comments. I think the remarks provide some real perspective on why Duty to Serve is important and why we should strive to make it more impactful. That's one of my key buzzwords today that I've learned -- not that I've learned, but I think that from Mike, from Fannie Mae. I've been striving for the right term. I've been in meetings with staff and with Fannie Mae and Freddie Mac talking about what are the factors we're looking for, what are the factors we would like to see. And I think the word impact is very important. We want to see more impact.

Chris, I had a question for you. I was intrigued (unintelligible). You mentioned among also a lot of other things, but it caught my eye, you talked about evaluation. Instead of evaluating every year, maybe every two or three years. And I wondered if you could give me more context on that. There's this problem of, it takes time to have impact (unintelligible). Does it make more sense for us to evaluate the Enterprises over a three-year period, after they’ve had some time to test and learn and implement? I’m not sure if that’s what you were talking about.

CHRIS KREHMEYER: Evaluating, the program’s slow, right, again, so you have this three-year window. The question is, if you’re going to review every year, what are you going to get on a running yearly analysis? I think the answer is, not a lot. Some prior (unintelligible) indicators, you might get some front-side learnings. But again, (unintelligible) of time to determine, is the shared equity model doing what everyone would like it to do? And we just need a little bit more time than that to go through a rigorous, as you guys are really good at, a rigorous evaluation process. In one year increments, that may or may not yield a whole lot of results. Maybe some stops put in along the way, to flag some things -- seeing what might be there, but really you have a longer window of time in that evaluation process to really determine the value of and/or great learnings or problem points that need to be addressed.

CLINTON JONES: Thank you very much. Glenn, this question is for you. I didn't arrive in St. Louis until late last night, so it was kind of dark as I was taking a cab from the airport into downtown. But I thought I saw an abandoned multifamily unit right off the highway as I was driving in. My point is, things I look at when I'm going to different cities -- you know housing development, (unintelligible), you can kind of see the neighborhoods. Some didn’t have a lot of lights and some did, as you're driving in.

So I was very curious about your experience working with the local governments or the consortia of local governments, and is there any concerted kind of regional coordination in addressing affordable housing, in concentrating efforts in certain areas from a mutual perspective? And is that something as a factor that we should look at when the Enterprises are looking at a policy (unintelligible)? You know through the DTS background, this kind of local government, regional cooperation?

GLENN BURLEIGH: There isn't really that much right now. The City has an affordable housing trust fund, and an affordable housing commission. The County is just now moving forward with a similar fund and commission, though the County's version does not have much revenue streams attached to it yet, potentially. For the rest of the counties within the St. Louis MSA there are not any kind of affordable housing trust fund or anything like that set up.

So I think that this is a situation where, when you live in St. Louis, you read all the time about how affordable our housing is compared to a lot of other markets, you know. It is a commonly discussed topic. Every time the most affordable, the most expensive metros come out, you know, we're always on the most affordable. And you know, and I think that folks are getting -- that's not apples to apples, it’s apples to oranges because our salaries are not New York salaries.

But I do believe that it has had an impact on decision- makers' perceptions of need for affordable housing within our area. And that we are now reaching a point where that's changing. You're hearing more decision-makers say yes, we know we're affordable compared to San Francisco and Seattle. But we understand that we have problems in our own markets which is why we now have a County Affordable Housing Trust Fund coming online.

For those who aren't familiar with the difference between population in the County, St. Louis County is roughly three times as many people as St. Louis City. And City and County combined are a little less than half of the metropolitan statistical area’s population. So up until basically now, only a very small portion of our MSA has had any kind of local -- locally raised affordable housing dollars (unintelligible). Now we're getting up to half of the MSA roughly having some kind of plan, but that larger fund, again, does not have dollars assigned to it yet.

CHRIS KREHMEYER: If I could comment really quickly. (Unintelligible) for the most part across the country, right, there is not a priority or emphasis on the production of affordable housing. The messaging around affordable housing quite frankly has been terrible. Most people when you say affordable housing, most folks say, Oh it’s for those folks in those places.

So us in the field have not done a good enough job nationally and locally to say to public policy folks, to other leaders in any region about the importance of creating home and what that does for children, neighborhoods and the broader region. And we need to do a much better job at pressing people. To say, we know when you invest in creating homeownership opportunities what that does for families, what that does for children, what that does for neighborhoods.

We understand that the importance of investing into (unintelligible) have had disinvestment for years and how that can turn a place around. And how do you not just say, Wow, I hope the (unintelligible) for the CDBG allocation or the HOME allocation will do enough work. Or if I get lucky I'll get a Low-Income Housing Tax Credit allocation this year and I can try again, maybe in a couple years I'll get another one.

Again, for me and as part of my remarks is, it's not about -- I think what we're doing with the current resources is good. The reality is we have scant few resources, you guys included, to really meet the needs. And until collectively we say, It's not a question is the glass half empty or half full, we need a bigger damn glass. We need more resources, because we know how to produce, right? We know how to produce affordable housing, and we know how to support families. These are things that aren’t magic. They are resource-driven, and subsidy-driven in a lot of places. And if we just have a bigger and better conversation about the importance of investing in creating homes and what that does for families and for broader communities, then we'll be better off, because you guys will have more tools and more resources to support us on the ground better.

CLINTON JONES: This is my last question for anyone. (Unintelligible) when we talk about affordable housing preservation, I also in the next sentence or after the comma, hear Section Eight or public housing. Is affordable housing preservation more than those resources, Section Eight and public housing development? And if so, what type of developments are those and where can you be doing better or looking at that?

CHRIS KREHMEYER: So again, I think that affordable housing does not have to be subsidized. (Unintelligible) it is affordable to those who are in need of it. So what does that look like? So some of that can be -- the example we use in our work is, we worked with a local school district who on an annual basis the mobility rate went up 40 percent, which is astronomical (unintelligible).

So for us it's not about, oh let’s build new units, right. It took us two years, $10 million to build 41 single-family homes. In the last 18 months that they were under construction, every day I get 41 calls from people needing a decent safe place to live. So folks are already living somewhere, right? So how do we figure out, how do we support them and allow them to stay there? And some of that is not necessarily a housing tool, but a financial tool.

So let's assume a single mom, raising her kids, making ends meet. She loses her job because her car broke down. In St. Louis if you don’t have a car, you can't get to work, right. So she takes money to fix her car, now she's two months behind in rent. She's never going to have the $1,000 to pay the landlord. But prospectively she can still kind of make ends meet, but she's falling behind. So how do we think about this idea of supporting folks from a financial perspective in this finite short-term basis?

It’s not a Fannie Mae, Freddie Mac issue. That's a broader public policy issue. So why spend, you know -- it costs $190,000 to build a new single-family house. How about if you give her $1,000 so she can stay where she's at? We stabilize and give her some support so she doesn't have to leave, she doesn’t become homeless, take her kids to go couch-surfing someplace else.

So for me it’s yes, more production dollars, but more preservation dollars in -- there is a bunch of housing stock that already exists. Why don’t we invest in that, subsidize that further so folks don't have to have a (unintelligible) subsidy, but keep the rent low enough so folks who are making the $9, $10, $11, $12 an hour, here in St. Louis, have real options in terms of where they can live?

GLENN BURLEIGH: I would like to add to that if I can. A lot of the affordable housing has, like Chris said, is currently existing. But what we continue to see in the city, so as you're driving in you see some areas there’s lots of lights, some areas there’s not. Working for an organization that works on fair lending and (unintelligible), I can tell you that it's not that hard to see the connection of capital access to those lines.

Because the further east as you come in the city, these neighborhoods were cut off from capital access during, redlining’s de jure period. You know as African American families continued to move west into the county, essentially neighborhood after neighborhood, the population (unintelligible) has lost access to capital.

What does that mean? It means you can't get a new roof. You can't do the tuck points on these brick buildings. So the lights are gone because nobody was giving -- whether or not they had income or a credit rating -- if your appraisal is too low today, you cannot get a loan to put a new roof and tuckpoint your house. And repayment of that loan would be a fraction of moving into an apartment.

So we are continuing to allow intergenerational wealth to be destroyed, naturally occurring affordable housing units to be lost. All because folks, regardless of their income and credit score, because an appraisal is due and the location of the building that they're in, are not able to access the capital necessary simply to preserve their assets. Even if it would be cheaper for them to do so than to move into an apartment.

MIKE KLEIN: I think one of the exciting things that are happening -- what you just said today, that your time to get out of the office and down to the street and walk with some of these people -- we have a new county executive, Sam Page, and I made reference to that. But I think it's the first time we've had some leadership really take an active role to stop the demolition of houses. And this was taking place in Wellston. We came within almost, what, 30 days of demolition of these 201 units. And he said it could not go forward unless he signed on it. Well he made a statement, he said this -- he made a successful push for a 120-day pause to look at this, and all of a sudden he is now involved in this issue of demolition of housing.

So it's pretty exciting to know that our county executive is actually taking some steps to forcibly hold things up until we can look at it again from another perspective. So, you know, I don't know what it takes to bring our leadership in our county, in our cities, to get involved and get messy and dirty with our families who are in the conditions that Chris and Glenn are talking about.

So I don't know how we can take that critical crisis like this and bring people into the picture who can make a difference. But what you're saying, maybe the context of what we're talking about today is getting people down into the streets where we can actually hear and listen to and walk with people who are struggling and doing an incredible job of survival. It’s (unintelligible), it’s incredible, and the more we can get in touch with that, I think the more we can start expecting some policy changes that will address some of these issues.

JIM GRAY: Does anybody from either Fannie Mae or Freddie Mac --

MIKE DAWSON: Yeah, I have one more question. A couple of you mentioned homebuyer preparation and homeownership education. And we, you know, from a Freddie Mac perspective, from an industry perspective, you know we believe, you know, helping the individual be successful in homeownership is first and foremost what we're focused on. So is there anything we should be looking at differently, or other things we should be looking at from an education or a counseling, whether it be from an activity standpoint, or from another (unintelligible) space to help the individual be successful in homeownership?

MIKE KLEIN: I think what Chris has been saying (unintelligible). But it’s that crisis, you know. If there was a line item somewhere that could help families who get in a crisis: the car breaks down, the furnace goes bad, the roof needs to be fixed, and you need $1,000. That's going to happen. You know that's (unintelligible). Why should we have to go through a whole process of applications and paperwork to get $1,000 to help somebody stay home? (Unintelligible), that takes care of that. Well no, it may keep that family moving for another year.

CHRIS KREHMEYER: So two things. Both in our land trust and we’re running a pilot. Particularly for our families in our (unintelligible) we created this emergency capital (unintelligible), we put in $500 for specific life events. So again, how do you create this opportunity for folks to have something to fall back on? A lot of first-time homebuyers – yes, they can afford to get in. They can, with downpayment assistance or other support, can get in, but have very little to fall back on, you know, in those first few years of owning that home. So again, creating opportunities for emergency (unintelligible) some kind of subsidy.

Secondarily, and I know this is heresy in some places, why the hell can't we get paid for the closing process before providing homebuyer assistance? Why isn’t that an eligible activity and some of the transaction pays for it, right. So everybody else gets paid, right, the (unintelligible) gets paid, the loan officer, everybody gets paid, except us. And so to provide what we think is the critical longitudinal support and resources to ensure that first-time homebuyers are successful long term. And whether it’s a Freddie Mac evaluation, or you pick alright, it’s proven when folks get, first-time homebuyers get counseling services, they will be successful.

It’s like early childhood development. There's no need to (unintelligible), it works. So if it works, why the hell can't we get paid in the transaction? And why isn’t that viewed as important in the process, like everything else is? So again we get frustrated, I have to go out with my tin cup and beg folks for money and say, hey can you support us doing this? When the end result is, yes, for the homebuyer, but it’s also for the bank and the secondary markets to be successful in the long term.

GLENN BURLEIGH: Okay so I will say there are a number of organizations in SLEHCRA that provide homebuyer training. You know, I think that what we hear from a lot of practitioners is that there is a significant market mismatch. So essentially, again, we have large areas of town that have virtually nonfunctional credit markets as far as home purchasing. It’s an all-cash economy where institutional lenders and landlords, etc., that have access to hard money can buy.

So we have a situation where, and this has become a huge swath of the St. Louis metropolitan area post the 2008 financial crisis – we’re not talking about one or two neighborhoods, we're talking about a significant portion of the metropolitan area, you -- the average person cannot obtain a mortgage due to appraisal issues.

And so that's what we continue to hear is -- I'm training people, right, they're preapproved to houses up to this amount, right, and unfortunately that amount doesn’t -- you can't get a loan in that neighborhood, even if you wanted to spend that amount of money in the neighborhood, and found a seller that was willing to sell you a house at that price, well you can't execute the deal because the appraisal won’t work.

So you know, a lot of times the practitioners are doing things, like seeing how much they can stack to make a deal happen. If they know that it is $10,000 over appraisal because it needs to get a couple of things done before it's going to be (unintelligible) close on the deal, then that (unintelligible) going to layer Federal Home Loan Bank money on top of this subsidy, on top of that subsidy to make the magic number work. And I mean, and so that's a real problem. There aren't homes available on the market where credit is flowing, that many of the people going for home buying training can buy. It’s either an all-cash market, or you move over to the wider market that's more expensive.

So this middle zone -- when I bought my house, I bought my house for $65,000. It’s very hard to find a house for $65,000 now. You can find a ton of them for $35,000 and a whole bunch for $150,000 and above. But where I was at when I bought my home it was very hard to find a home that you can buy in an area with a functional mortgage market now. And so I was lucky to have bought before 2008. And it's unfortunate that a lot of people in my same position now do not have that opportunity that I had.

JIM GRAY: Okay. So I'm going to let Fannie Mae have the last opportunity for a question before we break.

CRYSTAL BERGEMANN: Sure. So I had a quick question (unintelligible) about the Low-Income Housing Tax Credit you had mentioned. You mentioned that a lot of the properties are being lost after their initial compliance period or extended use period. That’s a big concern for Fannie Mae too, is preservation of those units. I was just wondering if you’ve seen any promising programs or policies that you would recommend (unintelligible).

MIKE KLEIN: I'm not sure how to go about -- what -- all I know is that this is taking place and how we address that at the state level, I don’t know.

CHRIS KREHMEYER: So there are few -- scant few programs across the country that incentivize retaining affordability after 15 years or the 20-year time period. Some states like Missouri have extended use requirements (unintelligible) but not all do. So the question is, from a defense standpoint at the beginning of the transaction, what are the incentives (unintelligible). And right now I've not seen that many innovative incentive programs today that let you hang on to this affordable housing stock. While, having heard a bunch of great production numbers, we're probably losing that many, if not more, as program (unintelligible) roll off. So it’s great to produce but again the net gain is almost negligible. And it would be a great place to think about what kinds of programs could be available here, whether it’s front-side deals, or funding of a replacement reserve in a significant way so you feel like at the end of the day I’m not staring at a whole bunch of capital improvements that this project might not be able to do in a restricted (unintelligible).

JIM GRAY: All right so that was a very constructive add-on from our last listening session. And it was your idea, Clinton, so thank you for suggesting that we have that little question and answer session. You all were very helpful.

At this point, we’ve finished our preservation panel. Our next panel will be our manufactured housing panel. But we're going to take a break. We will resume at 10:45, based on that green clock in the back. I ask that prior to 10:45 all of the manufactured housing speakers please take the sseat that will be relinquished by the affordable housing preservation speakers, so that as we're calling you up you'll be close to the podium. Okay. Thank you everyone.

-- BREAK --

JIM GRAY: All right. Thank you all for a good start to our morning. That was a great session on affordable housing preservation and now we’re ready for our speakers on manufactured housing. And George I believe you're on first.

So I'll just remind people, since we're starting a new panel that we are recording this entire session. We are going to have a transcript that will be available on our website after all the Duty to Serve Listening Sessions. And a final reminder is that we are rigidly enforcing our ten-minute limit. Okay. And you can see the little clock here has green, yellow and red. You're good while you are green, and when you're yellow you need to be wrapping up. And at red, that's when we'll call a halt. Okay. So George why don't you take it away.

GEORGE ALLEN: Okay. I'm George Allen, I’m a 40-year veteran of the manufactured housing industry. Longtime owner of what we call land lease communities now. Some of you might remember them as mobile home parks or manufactured home communities. But since there’s seven different types of housing now found in the (unintelligible) multifamily properties, most of us don't spend time worrying about it. We refer to it as land lease communities.

So anyway, a forty year, a senior writer and consultant for a relatively new firm, EducateMHC. It’s a comprehensive product and service provider for 50,000 land lease communities -- community owners across the states. And what follows here, as opposed to the first hour or two this morning, is a national perspective. Not St. Louis-based, or Indianapolis based, where I'm from, this is a national perspective relative to an affordable housing challenge that goes back at least 20 years and certainly is going to extend into the year 2020.

I want to hand out, I tried to get a copy of this into most everyone’s hands, if there are any of you that, after I'm done, wish to have one, I have some up here, and I'll take them back with me afterwards to pick one up. This pretty well parallels what I'm going to cover. And I don't like the idea of having to kind of read this, because I don’t like to watch speakers when they read something, but I don't want to miss any of the important points that I think need to be shared here today.

So without any further ado, the title and my view of what I want to share with you is called “Two Plus Decades of Manufactured Housing Shipments and Finance Turmoil from the Years 1998 to 2020, Can it End with the Help from FHFA and the GSEs?”

I need to set the stage, specifically so that you understand where I'm going with this. We’re in the year 1998. We sent 372,943 new HUD-code homes were shipped nationwide. But from there it’s been downward, until the nadir year, or lowest year of 2009 when only 48,789 homes were shipped.

At the dawn of the 21st century, according to the Manufactured Housing Institute, who’s also represented here today, more than 10,000 independent manufactured housing retailers and dealers closed their doors because of a lack of chattel financing, or lack of easy access to chattel financing. And not too long after that happened, more and more community operators like myself, began to sell not only resale, but started to sell new manufactured homes on site in various fashions, which I'll get to in a few minutes.

And that's where we are today. The question is, how do Fannie Mae and Freddie Mac fit into this two decades long paradigm shift scenario? As an industry, manufactured housing is surviving, albeit slowly recovering, from the 48,789 homes shipped in 2009, up to 96,555 homes shipped during the entire year of 2018. We're still sorely in need of reasonable access, not easy access but reasonable access, to chattel capital for homeowner loans in land lease communities large or small, coast to coast. That's just setting the stage for what I'm going to share with you now.

I'm old enough that I've been present, not that it was that long ago, it was back in 2010, in Elkhart, Indiana when we sat down at (unintelligible) with FHFA, Fannie Mae and Freddie Mac, sat down with manufacturers of HUD-code housing, at that table in Indiana, to inform us that going forward, the industry would be fairly on its own where housing finance support was concerned.

It was the formal end of easy access to chattel capital to finance new homeowner loans within land lease communities nationwide. Why? Well while naïve at the time, about housing finance and the GSEs, I understood Fannie Mae and Freddie Mac's angst with the manufactured housing industry. For a decade earlier I had penned an exposé titled Upside Down in a Mobile Home Park. It was first published in Manufactured Home Merchandiser magazine.

It detailed the widespread financial shenanigans and predatory lending practices and consequences that had hurt and haunt the industry during the decade ahead, as described in the first paragraph of my presentation.

Now let's fast forward a few years from 2010, to an international networking roundtable I hosted in Peachtree City, Georgia. That event, that single event, marked the return of FHFA, Fannie Mae, and Freddie Mac to the manufactured housing industry businessmen and women most affected by their departure a few years earlier, specifically the owners and operators of land lease communities who were now routinely selling and seller- financing new HUD-code homes on-site.

We learned a lot from each other during that session, in that two day event. But most important of all, was the obvious pent up optimism and belief that we could, together, forge a new housing finance way forward together. How so? Well this was nigh time for Duty to Serve planning sessions at Fannie Mae and Freddie Mac. Manufactured housing aficionados and land lease community owners were invited to participate in open discussions of this matter at GSE headquarters, in Washington DC, as well as going to the original formal listening sessions held I believe a year or two ago.

The result that, this is where I have a different perspective I'm going to share with you, something like a good news, bad news story. The result of that -- those meetings, those of the original DTS, that has been a decidedly mixed bag, complicated by whatever perspective is being espoused by whoever is talking and about what at the time. In other words, in summary, here's how I see it.

Relative to DTS’ focus on manufactured housing, there's been limited progress in the real estate secured lending arena, speaking specifically of Fannie Mae’s MH Advantage, and Freddie Mac's Choice Home programs. Again, in my opinion, the programs are welcome and needed but are too confusingly similar in terms as seller concessions, down payment minimums, transaction types, terms and more. Of particular rub, are distinct differences in housing valuation methodology.

And a further tripping point is MHI’s "new type" of HUD-code manufactured homes, designed for underserved markets several years ago. Today, even if -- I'm repeating myself. Even after several years, there's no consensus name for this more expensive manufactured housing design that qualifies for both GSE home loan programs. Bottom line, how is a prospective homebuyer to know what no-name manufactured home design to consider buying, and which of the two near-twin GSE loan programs to use? That’s the first general observation.

And then, even more telling, some would say appalling, relative to DTS focus on manufactured housing is there's been no progress towards a new or renewed chattel lending products program. While volume estimates vary, the vast majority of manufactured housing finance these days is needed for chattel or homeownership transactions occurring on-site, in 50,000 land-lease communities nationwide.

To date, land-lease community owner-operators have exhibited an admirable degree of creativity, initiative and chutzpah, even in the face of increased state and federal financial oversight, to consummate new home-only sales transactions on-site. We still sorely need reasonable access to chattel capital, other than via the one independent third-party firm that reportedly cornered 70 percent of the national market share of this unique type of personal property finance. Furthermore, we continue to need a viable secondary market for selling off the seasoned manufactured housing finance products.

Now, it would be easy to stop here and feel I've done my part at this listening session. But I can't do that. A sentence in the recent press release, 10/28/2019, titled "FHFA releases new strategic plan and scorecard for Fannie Mae and Freddie Mac" hooked me with the following statement: "Solving our nation's critical housing affordability challenges will require looking beyond the secondary mortgage market and addressing the true cause of this crisis. Namely, a significant shortage of housing supply."

Here I am, a businessman with 40 years experience in a housing arena capable of shipping 579,000 new homes a year, year of 1973; or 372,943 in 1998, but today, year to date, September 2019, we shipped only 70,497 new homes. Why? Simply because we don't have the chattel capital financing needed for homeowner loans effected within land-lease communities. And we don't have that because no one, and here I'm thinking FHFA and the GSEs, trusts our integrity to lend these monies wisely and securely. But the truth of the matter is, we can do both and more.

Here's how to increase the supply of HUD-code manufactured homes to address this nation's on-going affordable housing crisis. And I'm going to stop at this point, but there’s more I would read, and give example of how we traditionally process chattel loans, home loans, in communities and how maybe we should be doing them. But I'm not going to take time -- I don't have the time to go into it. But it’s described in detail in the handout. So I will just say, you know what my solutions are to these problems, read about them and then decide if you feel they are appropriate. I really thank you for the opportunity to address you this morning. Thank you.

DAVID SANCHEZ: Thank you George. Next up we have Edward Hussey from Liberty Homes, Incorporated.

EDWARD HUSSEY: My name is Edward Hussey. I have personally been involved in the manufactured housing industry for over 40 years. I've testified before Congress many times on manufactured housing issues and in the late 1990s was appointed by Congress to serve as a member of the National Commission on Manufactured Housing. That commission held public hearings around the country and developed a legislative blueprint to modernize and improve federal manufactured housing law, eventually leading to the Manufactured Housing Improvement Act of 2000.

My company was also a founding member of MHARR, The Manufactured Housing Association for Regulatory Reform, a national trade organization that specifically organized to protect and advance the interests of small businesses within the manufactured housing industry. I've also served as chairman of that organization.

In January 2017, I spoke to the previous similar Duty to Serve listening session conducted by FHFA concerning the initial DTS implementation plans then being developed by Fannie Mae and Freddie Mac, for the period of 2018 to 2020. At that time, we emphasized the urgent need for both GSEs and FHFA as their federal regulator, to ensure secondary market and securitization support under DTS not only for manufactured housing real estate loans, but also for manufactured housing personal property loans, chattel loans, which according to the US Census Bureau have financed nearly 80 percent of the manufactured homes purchased in the United States today.

I further stressed that it would be crucial for both Fannie Mae and Freddie Mac and for FHFA in its role as regulator, to ensure the availability of such support for mainstream affordable manufactured housing. Federal government studies have found these homes to be the nation's most affordable type of housing. In providing consumer financing support for such homes, DTS would thereby expand homeownership opportunities for lower and moderate-income Americans who have all too often been excluded from the many benefits of homeownership, even though they are otherwise creditworthy at price levels within the mainstream of the manufactured housing market.

When I was chairman of MHARR, in the middle 1990s, we sat down and met with the GSEs and asked them to develop programs providing both chattel and real estate loan programs for manufactured housing. We were informed that at that time, manufactured housing loans were between two and four percent of the GSEs' approved loans, and that was designed basically to help them -- the GSEs, with their affordable housing goals. The GSEs listened and in many meetings were excited about our product, but failed to come up with any meaningful programs for manufactured housing.

Ultimately industry and consumer frustrations with this state of affairs led to the congressional adoption of the DTS mandate as part of HERA. As written, DTS relates to loans for manufactured homes titled both as real estate and as personal property. Unfortunately, though nearly three years after I first brought these facts before you, and some 11 years after Congress created the DTS, there have been virtually no real programs under DTS with respect to manufactured home consumer lending. And in fact, matters are actually getting worse as George just outlined.

As a result, the mainstream manufactured housing market, which currently serves approximately 100,000 American families each year, remains as it was at the time of HERA's adoption, more than a decade ago. Almost entirely unserved by Fannie Mae and Freddie Mac, contrary to the clear will of Congress as expressed in the Duty to

Serve mandate.

Specifically, 11 years after the enactment of DTS and now approaching the conclusion of the initial DTS implementation plans developed by the GSEs and approved by FHFA, I am not aware of any manufactured housing personal property loans being purchased under programs developed by either Fannie Mae or Freddie Mac. Nor am I aware of the existence of any current loan product under DTS for the purchase or support of manufactured home chattel loans.

Accordingly, right from the start nearly eighty percent of the manufactured home consumer lending market represented by personal property loans has not and is not being served by the GSEs under DTS at all. This in itself represents a major policy failure on the part of both the Enterprises and FHFA, which has left the vast bulk of manufactured housing consumers no better off and no better served today than when Congress initially enacted DTS.

Worse yet, those same consumers, because of the failure of the GSEs and FHFA to implement DTS within the manufactured housing market in any meaningful manner, are being forced to higher interest rate loans available only from a handful of captive lenders affiliated with the industry's largest producers.

Congress' objective under DTS was clear: Increase lending and loan availability in all three targeted markets to substantially increase homeownership opportunities for creditworthy moderate- and lower-income Americans here and now, not in another 20 to 30 years. The complete absence of GSE support for manufactured housing chattel market, and indeed the entire manufactured housing market maintains the long-standing status quo within that market to the detriment of both the industry and consumers.

This means that the vast majority of manufactured home loans at high-cost interest rates are written by captive lenders affiliated with the industry's largest producers. These lenders have the capital at their disposal to make and keep large numbers of manufactured home loans on portfolio.

The lack of GSE securitization and secondary market support however, keeps many other lenders out of the manufactured housing chattel market that would otherwise participate and provide lending options for purchasers at much lower market-based interest rates.

It is, therefore, essential that the Enterprises in their 2021-2023 DTS implementation plans, specifically commit to market significant purchases of manufactured home chattel loans, during that term of those plans. Contrary to FHFA's recent determinations reported to Congress, the GSEs’ continuing total failure to serve the nearly 80 percent of the manufactured housing finance market represented by chattel homes -- chattel loans, is not and cannot possibly be in compliance with DTS.

Nor have the Enterprises done any better in the realm of manufactured housing real estate loans, which constitute a comparatively small segment of the overall manufactured housing market to begin with. In proposed revisions to its 2018-2020 DTS implementation plans, published by FHFA on October 24, 2019, Fannie

Mae seeks permission to reduce its already minimal commitment to manufactured home real estate loan purchases as set out in its original FHFA approved plan. Under the proposed modifications, Fannie Mae's 2020 loan purchase target for mainstream manufactured homes titled as real estate under objective two of this initial DTS implementation plan would drop from 450 homes to near 100 homes or (unintelligible) one-tenth of one percent of the entire manufactured home market, based on the 2018 production.

Under Fannie Mae's proposed 2018-2020 DTS revisions, the small number of purchases of more costly manufactured homes under the MH Advantage Program, for real property loans, would be significantly reduced. Pursuant to a separate DTS undertaking to develop an enhanced manufactured home loan product for quality manufactured homes and purchase loans, Fannie Mae would totally remove any commitment to purchase any such loans in 2019-2020 and would reduce its loan purchase goal from 570, 500 to 750 such loans, to a mere 25.

Incredibly, Fannie Mae asserts in its modification request that 25 loans is a meaningful purchase target and that it represents a significant increase in purchase volumes as compared to 2018-2019. Thus, as has been the case throughout the DTS process, Fannie Mae effectively claims that its total failure to serve any component of the mainstream manufactured housing market, in the past, constitutes justification for its continuing and ongoing failure to do so, DTS notwithstanding.

By failing to implement any aspect of DTS for mainstream HUD-code manufactured homes in a market significant manner, the GSEs and FHFA are seriously harming lower- and moderate-income American homebuyers and keeping them -- and forcing them into higher-cost interest rate loans originated by just a handful of captive portfolio lenders.

I can assure you this is not what Congress had in mind when it established DTS. I know this for a fact because I was the chairman of MHARR at the time. And MHARR had a direct -- was a direct participant in crafting this law designed to financially protect smaller industry businesses while providing financing relief for lower- and moderate-income American families that had previously been ignored by Fannie Mae and Freddie Mac. Put simply, the purpose and objective of DTS was to change the way the GSEs deal with mainstream affordable HUD-code manufactured housing. Not to change the nature of the homes themselves to be something more like site-built housing, which is what Fannie Mae, Freddie Mac and FHFA are more accustomed to dealing with.

The reality however, at the end of 2019 is that neither the GSEs nor FHFA as their regulator have changed at all. None have demonstrated the remotest interest in fully and properly implementing DTS to truly serve the vast bulk of the mainstream affordable HUD-code manufactured housing market and the creditworthy lower- and moderate-income American consumers who rely on those homes. Instead, each of these entities has done their utmost to delay any significant relief and remedy for those consumers under DTS. Far from implementing DTS this amounts to de facto rejection of both its expressed purpose and its laudable policy objectives within the manufactured housing market and an unconscionable rejection of the true and legitimate objectives of Congress in enacting DTS. Thank you.

DAVID SANCHEZ: Thank you Edward. Next up we're going to have Spencer Roane.

SPENCER ROANE: Okay thank you. Ladies and gentlemen, imagine visiting a rental property that you have, and you're up to your eyeballs in a budget, comparing the performance of the property to your budget. And in walks a family. And that family begins to tell you how important it is -- it was for them to buy the house that they're in. They tell you how nice it is not to have people living above them and below them, and to the right and left. They tell you how important it is to have a yard, to have private parking. But most of all, they tell you how incredibly pleasant it is to never make a house payment again.

I am privileged to tell you that I have had that conversation, or one very similar to it, approximately 364 times over the past 28 years. I own and manage land lease communities in Georgia and Texas. I've been in the industry for 35 years. I've been selling manufactured homes at our communities for 28 of those years.

For those of you who are not familiar with the business model of land lease communities, it’s somewhat of a quirky industry. We own the land as landlords, as property owners, but we rent the lots and the residents of our community own their own home. So they rent the lot from us, who manage and own that property.

Many, if not most of the occupants of the community, have bought their home. They've done so generally with about ten or 15 percent down, 13- to 15-year term, and in many cases very minimal markup of the house. And I'll come back to that in just a few minutes.

Who are these residents of our community, the buyers of these homes? They are the plumber, the bus driver, the factory worker. They are the carpenter and the cabinet maker who is working in the $300,000, $400,000 and $500,000 site-built houses. Houses that those people can't afford.

Most of these people have been renters, before they became homeowners. What about manufactured homes? Someone earlier mentioned trailers. They were trailers, prior to 1976 when the HUD code was enacted. And that's a very important event in manufactured housing, because at that point a federal standard was established that governed the construction of manufactured homes. Some people confuse manufactured housing and modular housing. The main difference is that modular housing is built to a local building code where manufactured housing is built to that federal HUD code, which has been updated a number of times since 1976.

These homes are generally 1,200 to 1,500 square feet. They are functional, energy efficient, three- and four-bedroom homes.

Generally two bath. They have many comparable options and features to site-built housing. They also have many architectural features that differentiate them from the trailers of 30 or 40 years ago. We see, as you saw perhaps, in Washington, DC a couple months ago when several manufactured homes were on display, homes that have overhangs, homes that have very pleasant and appealing architectural features. In communities we frequently see homes with permanent foundations and higher pitched roofs.

Manufactured homes are affordable. A term that we can hardly avoid hearing one place or another almost on a weekly basis nowadays. They are built in a factory. They are efficient, the loss in construction of a manufactured home is minimal. The construction of the homes is not dependent on the weather. Generally, the cost of manufactured homes that we sell in our communities is less than $50 a square foot. It doesn't take much research to find that site-built construction runs anywhere from $100 to $150 a square foot.

That price, I might add, includes the setup of the home, utility connections, the skirting, the decks, and the air conditioning. Compare that to new site-built single-family homes where the median sales price is $400,000. Four percent of the site-built homes sell for less than $100,000. Six percent of the site-built homes is less than $50 a square foot. And seven percent of the site-built homes is less than 1,400 square feet. It doesn't take much arithmetic to realize that manufactured housing is serving a sector which is not being served by site-built housing.

Some may say that manufactured homes are a bad investment. One of the reasons that we hear often is that they depreciate in value, and yet depreciation doesn't stop any of us from buying the phone that we have in our pocket, or the automobiles we drive and trade in after three, four, or five years. I have a handout, by the way though that compares site-built housing to manufactured housing. And when you take into account that it's much less expensive, that the maintenance cost is lower, and the taxes and insurance are lower, you will see that manufactured housing makes a great deal of sense.

George talked about the fact that approximately 100,000 new manufactured homes are being built compared to upwards of 850,000, 900,000 single-family new homes. And you have to ask yourself, when you review these advantages of affordability and functionality, why more are not getting built? And as several speakers before me have said, the only reason that more are not being built is because there is not adequate financing. The interest rates, the underwriting, and the absence of a secondary market have hobbled this industry for years.

You may say, wait a minute these are risky loans and that's why there is no chattel financing. I'm here to tell you that for 28 years I have financed homes in my communities. As a lender, we know that the risk in loans is a product of the rate times the cost of foreclosure. And I can tell you that in my experience, although the rate of foreclosure is higher than prime loans, it's less than subprime loans. I was going about 12 percent, compared to three percent for prime loans and 20 percent for subprime. The big difference though, is in the cost of foreclosure. I found a figure on the internet indicating that the typical cost to a lender is approximately $50,000 when they have to foreclose on a loan. I'm telling you that we have seen homes in our community that defaulted and the cost of reselling that house to someone else was in the hundreds of dollars, not the thousands of dollars. So when you look at the fact that the default rate is higher, but the cost of default is significantly lower, especially when that house is located in a land-lease community, I tell you that we can make a case, a very strong case for chattel financing.

I have a handout that talks about the loans that we have done in the past. And I have another handout that talks about a qualification process we go through. And you’ll find that one of the parameters that we pay the least attention to is the credit score. Much more attention to the downpayment and to the debt to income ratios of the buyer. So, with that I’m going to close. Thank you very very much. I appreciate this opportunity.

DAVID SANCHEZ: Thanks so much Spencer. Next up we have Kara from Manufactured Housing Institute.

KARA BEIGAY: Thank you to the team from FHFA, everyone here on the panel and Fannie Mae and Freddie Mac representatives. We appreciate the opportunity to share our views during this important listening session about the Enterprises' Duty to Serve. I'm Kara Beigay with the Manufactured Housing Institute and I am here to discuss the Enterprises' duty to serve the manufactured housing market.

MHI is the only national trade association that represents all segments of the factory-built housing industry. Our members include homebuilders, renters, retailers, community owners and managers, suppliers and others who serve or are affiliated with the manufactured housing industry. We also have 49 affiliated state organizations.

In 2018, the industry shipped almost 100,000 HUD-code homes to destinations across the United States. This was ten percent of all single-family home stock in 2018. Manufactured housing offers value to consumers because of technological advancements and cost savings that are associated with the factory-built process and because of the efficiencies that come with the federal building code.

The average cost of a new manufactured home without land is $71,900, compared to the average cost of a new site-built home, which is $293,727 without land. Manufactured housing is the main source of unsubsidized affordable housing in the U.S. It is a critical homeownership option commonly more affordable than rental housing, and it currently serves 22 million people.

MHI data shows that manufactured housing residents love living in their home. MHI recently conducted a national research survey, which indicated that two thirds of manufactured housing residents are satisfied with their homes and are likely to recommend living in a manufactured home to others. We appreciate FHFA, Fannie Mae and Freddie Mac for their attention to this important market. Thank you for considering MHI's comments as you develop the 2021-2023 plan.

There has been a considerable amount of effort and time dedicated throughout this plan cycle to preparing, data gathering, and developing activities that can have a tremendously positive impact for the manufactured housing market. MHI would like to suggest that it is time for the GSEs to take the lessons they've learned and actually start meaningful increasing the volume of real property loans and making purchases of chattel manufactured home loans to provide a critical secondary market for manufactured housing financing. The manufactured housing market today is characterized by sound lending practices and high-quality homes that are built to a robust federal standard. But relative to the site-built housing market, consumers do not share the same financing options. These limitations put manufactured housing consumers at a disadvantage in a number of areas, including their ability to purchase new or existing homes, their ability to reduce interest rates for refinancing, and their ability to sell homes to the broad range of interested buyers. These attributes are the effects of an underserved market.

A robust manufactured housing market is critical to increasing the availability of affordable housing, which is in short supply in so many parts of the country. The secondary market should support manufactured housing loans and loan products, so that manufactured home loans may compete on a more level playing field.

The final Duty to Serve rule was an important step in ensuring the GSEs support financing for the purchase of manufactured homes. Under the Duty to Serve plans they developed and approved, Fannie Mae and Freddie Mac have committed to start purchasing personal property loans, commonly known as chattel, this calendar year. Given that close to 80 percent of the manufactured housing loan market consists of chattel loans, we do not believe that Fannie Mae and Freddie Mac can comply with their duty to serve manufactured housing without having a substantial purchase level for these loans. It is both appropriate and essential for the Enterprises to make a meaningful commitment to personal property loan purchases.

Fannie Mae and Freddie Mac's initial manufactured housing Duty to Serve plans each included plans to begin the purchase of chattel loans in bulk, so they could test and learn about the market. The time for plans and exploration is over. Evaluation of compliance with statutory GSE Duty to Serve requirements should be based on Fannie Mae and Freddie Mac actually purchasing chattel loans starting this year.

Current origination of chattel loans by portfolio lenders shows that these loans can be safely underwritten, so Fannie and Freddie should be able to begin to purchase such loans. MHI firmly believes that in order for the GSEs chattel programs to be impactful and scalable, they must be permanent, and they must mirror the market as a whole. Each of the Enterprises should develop chattel programs that encompass a representative cross-section of the market and a cross-section of lenders. A temporary program or one that only serves A-paper consumers, leaving higher risk paper to the private sector, has the potential to disrupt the current chattel market participants. Care must be taken to minimize such disruption and to ensure the GSEs are serving the range of chattel borrowers.

This is a critical point. A lack of market depth or a lack of commitment to a permanent program could negatively impact millions of families by disrupting the current market, resulting in increased rates, leaving consumers either unable to purchase a manufactured home titled as chattel, or unable to sell their manufactured home titled as chattel or being forced to accept offers significantly below the appraised value of the home.

Therefore, we strongly encourage the Enterprises to develop a permanent chattel program that encompasses a representative cross section of the market and a cross section of lenders. Initial chattel loan purchases by Fannie Mae and Freddie Mac should not just be a few one-off purchases for a few years in which they just buy the safest easiest loans. Instead, as Fannie Mae and Freddie Mac argue in their plans, the purpose of these initial chattel loan purchases should be to regain experience with chattel loans as part of a longer-term commitment to the product. The goal should be to lead to a flow program in which lenders can originate in accordance with underwriting standards put out by Fannie Mae and Freddie Mac and the GSEs will then securitize the loans. It is imperative that such a program is designed in a way to minimize disruption to other market players as well, so that the overall chattel loan market is broadened.

For decades Fannie Mae and Freddie Mac have purchased and securitized real property manufactured home loans. However, MHI believes that the volume of such loans could be substantially increased. Congress agreed, and the Duty to Serve requires the GSEs to provide leadership in developing loan products and flexible lender underwriting guidelines for manufactured home loans and to increase liquidity and capital available to such loans. This would include Fannie Mae and Freddie Mac enhancing the number and flexibility of real property manufactured home loan purchases. MHI commends both Fannie Mae and Freddie Mac for several policy changes and variances to its manufactured home products to increase volume and will encourage continued strategies to support real property loans going forward.

In addition, MHI sees that both GSEs have introduced new programs that provide affordable conventional financing for manufactured homes with site-built feature. Qualifying home features for the MHI Advantage and Choice Home programs align closely with the industry’s new Cross Mod homes, such as higher roof pitches, permanent and lower profile foundations, garages or carports, and porches.

Cross Mod homes are a point of entry for homebuyers who would not have previously considered purchasing a manufactured home. These homes have the potential to reach areas of the country where manufactured housing has, in the past, been zoned out by discriminatory language regulations at the state and local level.

Cross Mod homes are placed on a permanent foundation, qualify for conventional financing and are virtually indistinguishable from higher-priced site-built housing options. The GSEs' support for the Cross Mod homes could not come at a more important time. Many aspiring homeowners are currently priced out of homeownership because the traditional site-built housing is not produced at or below $200,000. Cross Mod homes will serve this gap in the market. Conventional financing (unintelligible) GSE support is a critical component of this solution and we urge you to ensure the upcoming plans continue to evaluate performance by assessing loan purchase volume.

MHI and our members and affiliates appreciate the work that has gone into the Duty to Serve activities and stand ready to help and support the GSEs as they take the next step in continuing to develop a robust secondary market for all manufactured home loan products. A stronger involvement by Fannie Mae and Freddie Mac in the manufactured housing market will not only strengthen homeownership opportunities, but also offer an alternative to consumers who are hurt by unaffordable rent or the shortage of adequate housing.

Manufactured housing is critical to increasing the availability of affordable housing in America. MHI looks forward to continued engagement with FHFA, Fannie Mae and Freddie Mac on this issue. Thank you.

DAVID SANCHEZ: We're now going to move to the segment where, sorry the portion where FHFA and the Enterprises have the opportunity to ask questions of the presenters on the manufactured housing market.

JIM GRAY: David, before you do that, just like you did before, if we did happen to have someone here who wanted to speak to manufactured housing and who's not speaking at another listening section you could, we could let you speak now. I don't see any hands. All right Clinton, do you want to start us off?

CLINTON JONES: Thank you very much. This is a very critical initiative. I personally was involved in writing the 2000 law and very involved in drafting the Duty to Serve. I do know personally and professionally, manufactured housing advocates who have been very helpful, very influential in helping with data, helping with just giving the right perspective. And it's an issue – I worked on Capitol Hill for 24 years, it's always been a critical issue. It's always been, sometimes a sensitive issue, whether talking about FHA and HUD's role, or Fannie and Freddie (unintelligible) FHFA.

So I just had one question, and this is more for Spencer. You had mentioned in your presentation that you own several communities. I'm interested in the average length of the leases for those particular families. And the reason why I’m asking this is, there’s always controversy or question, really a policy question, you know, real estate loans versus chattel. What I have heard, the data I’ve received, is I know 80 percent of the chattel loans -- 80 percent of the loans out there, or 80 percent of the market is chattel. But of that 80 percent, I think 50 to 60 percent of that could be linked to real estate. But I know there are some folks who would not have, fit into that 50 or 60 percent. They may have long-term land lease. So I’m really concerned, really interested in your experience with the leases, how long they are, what is the average, what’s your experience with that?

SPENCER ROANE: Are you referring to the lease of the lot or the lease on the house?

CLINTON JONES: The lease on the pad.

SPENCER ROANE: I think you find that varies from state to state, community owner to community owner. I do think that our industry has been fairly criticized for some abuses by some community owners who have essentially taken advantage of residents who face the very significant costs of having to move their house.

In my particular case, I don't have a lease on the lot itself. We have sold the homes, usually with a term of 13 to 15 years. We like that term to be as short as possible. Our primary objective is to get someone to be a homeowner as quickly as possible. So the term of the “financing” on our homes is 13 to 15 years. We don't have a lease –

CLINTON JONES: And the land is attached to that lease, or not?

SPENCER ROANE: Not attached from a legal point of view because we own the land and the resident is buying the house that's located in the land lease community. Now we have rules and regulations that do apply to the lot itself. But I understand that one of Fannie and Freddie’s concerns with chattel financing is the absence of a lease on the lot. And I can tell you that many, many, many community owners that I know, are not opposed to the idea of a lease on the lot. It's just in my particular case, my communities being in Georgia and Texas, I didn't have and I was not required to have a lease on the lot itself.

JIM GRAY: So, just to clarify, Spencer. So if there’s not a lease on the lot, then -- not that you would do this, but if a landlord were predatory, he or she would have the prerogative on 30 days’ notice to terminate someone’s pad lease. Is that right?

SPENCER ROANE: It’s closer to 60 days, but you're right. And that's what I said a while ago. I think that, you know, so many -- I don't know what the percentage is, 98, 95 percent of the community owners are very responsible individuals who obviously are not interested in taking advantage of anyone. But you're right, that is a valid criticism of our industry. And for that reason, I think responsible operators are not opposed to some sort of lease on the lot itself.

JIM GRAY: Okay. So who would like to ask the first question?

Sarah? I forgot to introduce you. We have now been joined by Fannie Mae's Sarah Edelman, who is director of Duty to Serve single-family activities.

SARAH EDELMAN: Thanks for being here. I wanted to provide one clarification and some additional context. And then I do have a couple of questions, if that's OK.

JIM GRAY: Sure.

SARAH EDELMAN: So just one clarification on our modifications for next year's plan for (unintelligible) manufactured housing. We have not changed our overall purchase target. It stays at 26 percent increase over last, over the 2019 target. What we did change was, you know, a subgoal. So we have 11 – we've committed to purchase 11,000 next year. We said, we're going to (unintelligible) 450 of those, will be tied to a product development effort. We decided to reduce that because the effort in tracing what lenders, why lenders deliver particular loans is not where we wanted to focus our attention. But we have kept our overall -- what we're going to purchase next year. We did reduce that subgoal.

A little bit of additional context. Manufactured housing is one of the most important priorities for the Duty to Serve team at Fannie Mae. And Fannie Mae, even beyond the Duty to Serve team, MH is a big priority for us. Growing affordable supply is a corporate -- it's a primary strategy for the next few years. And so far, last year we increased our real property purchases, our affordable real property purchases by 26 percent of homes bought by folks at or below 100 AMI. None of that was (unintelligible), it was all at HUD-code affordable units. We are eager to engage in the chattel market. We do believe that there is a way for Fannie Mae to engage in a safe and sound manner. We submitted our proposal to FHFA in September of this year and are awaiting direction from FHFA before we can proceed.

With regard to MH Advantage, George, I thought that your feedback was really valuable. I think that this is a really, it’s something I really want to take back, the confusion across the Fannie product, the Freddie product. How do consumers know what to ask for? I think there’s a lot of room for growth and development here.

I also think that this is an example -- Duty to Serve is about the GSEs trying something new. And one thing that we've learned is the timeline that we set out in 2017 when we wrote the plan, is not necessarily the timeline the industry is on. It’s like a relay race. We can’t take the baton until the manufacturers pass it to retail, retail passes to lenders, the lenders pass it to us.

Right now we are seeing encouraging signs on the manufacturing side. We’ve got over a dozen engaged manufacturers. They’ve purchased over, close to 4,000 stickers to put on MH Advantage properties. We are actively working with retailers and we have 20 committed lenders. We are doing everything we can to try and make (unintelligible) market. We don’t have a magic wand though. So we can’t buy the property, we can’t buy these loans if the properties aren't out there and (unintelligible). At some point we may need to evaluate whether this is the right strategy. We don't think we’re near there yet, though. It’s just the ramp-up time is going to be significant.

So, and along the way we are continuing to make policy changes that the industry asks for, that they are getting in the way. We changed our (unintelligible) policy. We, as much as we can, are trying to make our Selling Guide sort of put MH on even footing with site-built. But we’re continuing to make those changes and hoping that they make a difference.

The questions that I have for you all, are one, on the real property side, what should we do in our next plan to really move the needle? And two, if we manage to move the needle and create more demand, can the industry accommodate that demand? Right now, we're hearing from lenders that there's a backlog that it takes -- it can take nine to 12 months to get properties out of the factory. There are labor shortages. If we sort of -- if we can make changes and the changes actually increase, without the -- increase demand, are you confident that the industry can handle it? And that might be very simple. That you might, that would be a lesson for us. I would love to hear your thoughts on that.

EDWARD HUSSEY: I think it’s an issue of capacity first. The industry has many (unintelligible) right now. And a number of -- a number of companies set to expand quite quickly. The -- it's not a very capital-intensive industry to get into, and there are a lot of suppliers out there that are not associated with manufactured homes. Manufactured, you can get into the business, it used to be pretty quickly, but now it's a lot simpler than most industries would be. As for a labor shortage, and I know there’s trouble with that. I mean, most of the plants that are vacant right now are in rural areas. I mean we -- our industry tends not to be in New York City or Los Angeles, it tends to be in Kansas and Dorchester, Wisconsin and places like that. And so that there's plenty of labor there that would be easy to train. There’s not layoffs from companies now. And I think there's a great deal of capacity that could be generated up very quickly.

SARAH EDELMAN: That really helps, the feedback, and I would love to connect after the session and talk a little more about that (unintelligible) our efforts.

GEORGE ALLEN: Well relative to what you just asked, and I was going to direct this down to Kara? What is it you just called this new type of housing?

KARA BEIGAY: So the new type of housing that qualifies for the MH Advantage and the Choice Home program is called Cross Mod. And MHI did a lot of testing and focus groups to figure out what would be the name of the term that people gravitated to that would understand. And Cross Mod is what was determined to be the best fit that the focus groups, the consumers liked.

So we're starting to roll that name out. You'll -- you heard it in my speech, and we are moving forward. Mark Yost of Skyline

Champion testified last week in DC and he was using the word Cross Mod. So we're trying to start to get that word out there so that people do know if they go into a retailer and they're interested, they can ask for the Cross Mod.

GEORGE ALLEN: And the reason I asked that question is because, as publisher of the only newsletter to go out in the community (unintelligible), I downplayed the new type because I didn't like referring to it. We didn't have a name to focus on before now. Now that we have it, assuming that becomes the name, I can't say I'm particularly excited about it, but now we have that to work with. Along with what Mr. Hussey just said to you about capacity, I think the pathway is clear, is to get financing to support it.

KARA BEIGAY: Agreed.

JIM GRAY: If I can ask a follow up question to Sarah's question about MH Choice and MH Advantage. Because that -- I certainly took notice of how you talked about the differences. Some things, maybe, Kara, that you could take away if this is a consensus is I think it would be helpful for all three of us, of these entities if the manufactured housing industry were to say, we like, to the extent that there's a difference between MH Choice and MH Advantage, we like this about MH Choice and we like this about MH Advantage so that we would all know how you would -- if it were up to you, how you would like to see those differences go away.

OK, so maybe it's Freddie Mac's turn now.

MIKE DAWSON: I've got one question, two parts. You know we've certainly talked a lot about personal property. A big chunk of personal property loans being created, there's a number of opportunities where the individual who's taking out a loan also owns the underlying land. I recognize the challenges of bringing those two notes together to take advantage of currently available TBA or mortgage-backed security financing.

A quick question for all of you, you know, what as an industry should we be looking at to help inform that consumer who does take a personal property loan, that owns the underlying land, to maybe bring those two notes together. We know certainly some of the issues where maybe they don't want to, but we also hear issues where they may not be aware about too many things. So anything there that we can be looking deeply at, or looking at industry involvement to inform that consumer?

UNIDENTIFIED SPEAKER: I would say something in response to your question as well as Sarah's. And we in our industry are excited about the homes that we've talked about here recently, the ones that were on display in Washington. But I guess I'd just like to take a second to remind everyone that the manufactured housing industry was built on chattel financing. George talked about the days when there were 400,000 and 500,000 manufactured homes produced a year, and of course we're down to less than 100,000 now. In the late '80s and the early '90s, the land home concept became popular. And as you all probably know, lenders thought that was the best thing since sliced bread. And all of a sudden you had a piece of land attached to the manufactured home. Unfortunately, of course, the same abuses affected manufactured housing as affected site-built that led to the collapse of ’08 and actually manufactured housing lending collapsed before that.

But I just want to take the chance, I guess, to say that just because land is associated with the house itself doesn't necessarily make it successful. So again you know, many of us feel that chattel financing of homes in communities is an alternative that needs to be looked at.

MIKE DAWSON: Second part of the question. Sarah talked about, from the standpoint of supply. We also talked to a lot of lenders who are excited about manufactured housing, but one of the challenges that they face is, is there enough supply out there to make the investment to support (unintelligible) property loans?

I know the industry shipped about 95,000 homes last year, it’s probably about the same this year. And as we talked about earlier today, about helping or driving more familiarity with these homes, whether it’s from a zoning perspective in municipalities -- is there anything else that we could be doing as an organization to help drive that familiarity within those municipalities or other areas across the country to gain more acceptance, I’ll call it, of some of these homes (unintelligible)?

KARA BEIGAY: So, yeah, I’ll start with that question. So manufactured housing still has a stigma in a lot of the local communities and municipalities. And they don't assent or they don't want manufactured housing in there. And I think, you know, we've talked about this Homes on the Hill, the HUD housing showcase. That was everyone who was there, that was a great opportunity for people to see. And we had officials come through who saw, oh these homes are beautiful. They're not believing -- thinking pre-, you know, 1976.

So I think anything that FHFA, Fannie Mae or Freddie Mac could do to help educate the local localities, municipalities on, these are not what you think when you think of manufactured homes. These are not trailers. These are beautiful homes and we just really need to get over the zoning and the discrimination that we face, manufactured housing faces at the local levels.

EDWARD HUSSEY: I think one other thing that you might think about doing is coordinating with the Department of Housing and Urban Development. The 2000 Act that I talked about briefly had a provision in it for what's called enhanced preemption. A HUD manufactured home, the building code (unintelligible) local building codes to be extended to (unintelligible) and be installed in a community built to this code. The zoning laws restrict that substantially – (unintelligible) put it in our community it needs to be out here past the dump and around back of the railroad tracks.

The 2000 Act -- part of the 2000 Act was designed to enhance that preemption, so that HUD could go out and enforce the preemption with regard to unreasonable zoning laws and complete (unintelligible) of manufactured homes in a community. Letting them know that the potential is there for private-sector financing for these houses would go a long way to pushing them in the right direction. They are beautiful homes, you’ve got the one building -- the federal building code, HUD should be promoting that as (unintelligible) and I think the coordination with HUD along those lines might go a long way.

JIM GRAY: Corey, did you have a question?

UNIDENTIFIED SPEAKER: I was just going to add, one of the comments that we invariably get when regulators, and even consumers look at today's manufactured home, the comment I hear over and over and over again is Wow, this is a manufactured home? These people are accustomed to the trailers of the ‘40s and ‘50s. And if and when we can get a regulator, whether it's state or local, to go into a manufactured home, the response is invariably, Wow this is just as nice as a site-built home.

The problem is we can't get them into the house because so often, as someone said, they are only allowed in manufactured home communities which by definition are usually a pretty good ways away from the folks that we would like to reach. So what happened in Washington, DC to have people actually come out on the Mall and see the houses was wonderful. We wish we could do that all over the country. But until we can, the more of you who help us talk up the manufactured housing concept, the better.

COREY ABER: So in our discussion this morning we talked a lot about the homes themselves, and a little bit about zoning for the communities. Looking in the regulation there are a few areas that we're asked to look at on multifamily. So, properties with tenant protections (unintelligible). We didn't talk about that today. (Unintelligible) on that segment of the market and what you'd like to see us doing there.

SPENCER ROANE: Are you referring to multifamily manufactured homes?

COREY ABER: I'm referring to financing for the communities. (Unintelligible)

SPENCER ROANE: Oh for the community itself. Yeah, well George may have some input on this, but my feeling as a community owner who frequently attends national meetings is that the financing of the communities itself is not a problem. Go ahead George.

GEORGE ALLEN: It's nobody's problem, it's been a problem until now. Before I explain that comment, I would like to make the qualifier of earlier about leases in land lease communities. And Spencer, in my opinion, probably rightly said, it's going to vary from state to state, owner to owner, and that's the way it works.

I'll give you an extreme example. I recently sold my last land lease community in the State of Illinois. And they have a type of landlord-tenant regulation there that required me as a landowner, as a community owner, to offer a lease to everyone who moves a home into my community. I've been in that community for 35 years, and I never wrote one single lease. Don't ask me to explain why, other than the fact that when we would ask the move-in, do you want a lease, it was like, Oh we have a choice? No, we don't want a lease. Now I like to think that I probably didn't cause any problems, that I was a fair landlord and I didn't engage in predatory practices. But pretty soon that was a, the state had a requirement to offer it, but they didn't require them to accept it. And so to this day, as far as I know in a 135-site community, there are no written leases.

On the other hand though, quite frankly there are many, many practitioners, friends of ours who in fact are very much into it and like the long-term leases. In fact, if you have any kind of financing going on they like to have the lease go six months beyond the term, you know, of the chattel loan.

Now back to my wise crack, if you will, about our product. I think that Fannie Mae and Freddie Mac, in my opinion, have done a good job in terms of reaching out to knowledgeable resources within the industry, relative to the housing product, relative to the -- all these topics we've been talking about. But I think that you've been remiss, and this is, I know this is going to sound terribly self-serving, but there's no other way to say it. I think you've been remiss in not giving the same diligence to the community side of the house when you've been writing loans on real estate-secured mortgages, long-term mortgages, (unintelligible) mortgages on the property side. Because according to last year, there have been a number of instances where Fannie Mae loans have been, GSE loans, have been written on tranches of communities that have been purchased by private equity firms who have developed already a very bad reputation for buying the properties and whatever it takes coming in and then jacking the rents. And then as part of the process getting GSE financing, a guarantee of the financing in the process.

Whereas if you fellows and ladies had made the same type of relationships or inroads with folks that are knowledgeable on the community side, you wouldn't have made what I consider to be serious mistakes that may come back later to bite you, and let’s hope it’s not. But I would like to think that going ahead, my making the comment will give you pause enough to say, what is he talking about? And I’d be happy to explain it to you –

JIM GRAY: No that’s a very interesting point. And so hopefully there will be a chance follow up. Clinton did you have a question?

CLINTON JONES: I wanted to follow up on my original question. I tied it to a land lease but I think what I’m really getting at is how often, when you have an owner of manufactured housing, whether it’s chattel, how often do they actually move that unit? So whether there’s a lease or not, you mentioned you own some communities, you own some communities. I gather they’re not moving a lot. That unit is sited and sometimes it sits there for a while. I gather from you, 13 to 15 years if you are doing the financing. But I’m curious how often do these homeowners actually move those particular units on average?

SPENCER ROANE: I would say that the term mobile is really a misnomer. Any house, any manufactured home can be moved, even if the wheels and axles have been taken off of it, a mover can come in and reinstall wheels and axles and move the house. But I've got 500 residents in four communities over 35 years and I'll bet you the number of houses that have been moved out of those communities over that period of time, voluntarily by the homeowner, I could count on one hand. Now I've moved a bunch out that reached their useful life and we replace them with new. But for a homeowner to come in and say, I've bought land and I want to move my house to the lot, it just doesn't happen.

JIM GRAY: Can you address though the concern where, say the landowner might decide that he or she can make more money if it became a shopping center instead of a community, and then that unit owner is in a position of needing to move their unit. That -- somehow that surprises me.

SPENCER ROANE: It does, and I happen to be a personal example of that. My community in Atlanta is 14 acres. As a mobile home court, or manufactured home land lease community it's probably worth somewhere in the neighborhood of, I don't know, less than 10 million, 5 to 10 million dollars at today's crazy prices. But land next to me was listed about six months ago at 2 million dollars an acre.

I also have a community in Texas which is worth more for its redevelopment, and another one in Georgia which is worth more. But

I'll tell you that I probably get a call a month from a broker who wants to list one of my communities. And I'm not interested in selling, partly because I have employees at every one of those properties that would probably be out of a job.

As George alluded to a while ago, we see some of these larger operators come in and immediately increase the rents. And I feel like I am what I am today because of these residents who have lived in my community for 20 years or so. And I would frankly have trouble sleeping at night, knowing that somebody else came in and raised the rent $100 or $200 a month, because they had to to make ends meet. So because of my concern, frankly for the residents and for the employees, I am not interested in selling. Plus the fact obviously I would pay a huge amount to the government in taxes.

JIM GRAY: Right, and again, I think we've had a very illuminating dialogue here. Thank you all for staying and being willing to answer questions. But let me let everybody know what to expect next. So we're about to have our break for lunch. At 12:22 p.m., I'll say, we're going to give you all about 20 minutes to go and get your food. You can bring it back in here. We're going to have the portion of the conversation where you get to ask questions of us, of Fannie Mae, Freddie Mac, any questions that you have of FHFA. And that will be -- that will precede the final panel which will be the rural portion. Okay so with that we'll adjourn for 20 minutes.

-- BREAK --

JIM GRAY: Okay thanks everybody. We're now to the part of the meeting where the stakeholders get to ask questions of Fannie Mae, Freddie Mac and the Federal Housing Finance Agency. There are a couple of things about the questions that I want to say before we start. So one ground rule is that the purpose of today's listening session is for Freddie Mac, Fannie Mae, and FHFA to hear from you all about what should be in the next plan. So it does not seem fair at this point to ask specific questions about what future activities that you would anticipate that Fannie Mae or Freddie Mac would engage in in Duty to Serve. You've certainly have an opportunity, everybody except the rural speakers, to say what you think should be in the plan. But it would be premature for you to ask a question to sort of seek a commitment about a specific thing that you want to see. So that's one ground rule for the questions.

Another one is that Fannie Mae and Freddie Mac are obviously competitors. So it's possible that you might ask a question that would get into proprietary information, and one or both of the companies might decline to answer a question for that reason. And I'm sure everybody would understand that.

And then finally, because this is a meeting that covers a much broader set of issues than many industry conferences -- the companies have a large number of people who go into the details of various components of Duty to Serve. It's also possible that a question may come up that's more specific than the people who happen to be here in St. Louis today can answer. And in that case, I'm sure the companies will be happy to take your name and get back to you on your question.

So with that, I had announced before we reconvened that we're keeping a list of people who would like to ask a question. I think so far we have three names on that list. Okay. Will you all --

DAVID SANCHEZ: Absolutely. So first on the list is George Allen.

GEORGE ALLEN: Can I ask a question that's not manufactured housing-related?

JIM GRAY: Yes. You need to come up to the podium.

GEORGE ALLEN: Okay so the question I have, Jim, is this. What -- I guess I want to know who to ask this question of: What type of properties or markets qualify for consideration or attention as Affordable Housing Preservation (unintelligible)?

JIM GRAY: Well so I'll take a crack at answering that question and then others can chime in. So obviously Affordable Housing Preservation is a much broader market than the other market, and it´s a harder market to identify. There is a lengthy discussion in the preamble to the final rule that discusses what constitutes Affordable Housing Preservation and what does not constitute Affordable Housing Preservation, so I would refer you to that as one source.

GEORGE ALLEN: What was that source?

JIM GRAY: Well we can give you the -- it's the preamble to the final rule for the Duty to Serve that was published in December of 2016. And you'll find it on our website, but I'm happy to give you the citation offline for that.

CLINTON JONES: I'm just curious, is there a particular property type that you had in mind?

GEORGE ALLEN: Oh certainly. As you would suspect, I mean there's 1,000 manufactured (unintelligible) across the state. And my guess would be to say at least half of them, in our minds, and we have already talked about this today, are very affordable. I mean people are living there, I hate to say this about my business, but if they didn't live there they'd be homeless. And so what could be more affordable than multifamily communities that provide housing for maybe the last step on the housing line, if you will, in those instances? And so I guess what I'm saying is, boy it sure would be neat if they could be brought in under this part of the regulation.

JIM GRAY: Yeah, they could.

GEORGE ALLEN: And that was my question. I've never thought about it before until I got here today, and I'd love to explore that possibility. Just the idea of upgrading and making that living situation more positive than the way it often is now.

JIM GRAY: Yeah so that's definitely a possibility, that the Enterprises could do that as part of their duty to serve.

GEORGE ALLEN: So what's the next step for me if I want to pursue that?

JIM GRAY: Well first, we'll come to that, but why don't I see if anybody from either Fannie Mae or Freddie Mac wants to respond to that.

SARAH EDELMAN: In terms of -- for single-family Affordable Housing Preservation, it’s shared equity, energy efficiency and distressed properties are the three areas where you’re eligible today, single-family eligible for preserving affordable housing. And so there's -- you know, where there’s an energy efficiency potential, that’s one clear way where we could potentially see collaboration.

For distressed properties, so last year we -- with our HomeStyle Renovation product, we didn’t include MH. With our new HomeStyle for MH that’s something that we changed. We don’t count that for affordable housing preservation distressed, because currently the way it’s defined distressed only includes REO. But if at some point that was revisited, that’s another area where we could, you know –

GEORGE ALLEN: Is that single-family or multifamily?

SARAH EDELMAN: I’m talking single-family.

GEORGE ALLEN: Multifamily is what I’m thinking about.

JIM GRAY: Crystal, do you want to --

CRYSTAL BERGEMANN: I would just add that all of the markets -- rural, manufactured housing, affordable housing preservation -- have a lot of overlap of course. And so at Fannie Mae we try to work together on the Duty to Serve team, and not just on the team but across the Enterprise. We’re definitely engaging with one another across the different markets and across the Enterprise. As Sarah was saying, a lot of the opportunities we are seeing in manufactured housing, we're seeing a lot of energy efficiency in multifamily communities, on the multifamily level the manufactured housing communities. That is an option. I don't know, do you have additional (unintelligible) in rural?

SAM LIPSHUTZ: Right, I can chime in. My name is Sam Lipshutz – hi everyone. I lead Fannie Mae's rural initiatives from the multifamily perspective. And anywhere in the rural housing plan that we have loan acquisition goals, MHCs are included in those. So that's another input in the rural plan although that's not under the affordable housing preservation –

GEORGE ALLEN: How do you spell your last name?

SAM LIPSHUTZ: Lipshutz. I'll give you a card.

JIM GRAY: Corey.

COREY ABER: Yeah, and certainly whichever segment of the regulation it's captured under, it's equally important to us and so we're (unintelligible) support under any of them. So in some ways, does it matter? In other ways it could, depending on the goal that you're describing. If it is truly about rehabbing and preserving the property then that's a different thing that can be (unintelligible) energy efficiency side of things as well.

I think to your general question about what counts as affordable housing preservation or not, and also -- there are some geographic (unintelligible) when we look at furthering residential economic diversity, it’s either high opportunity areas as defined by state QAPs for the LIHTC program or DDAs. A lot of those geographic distinctions and others from the regulation can be found in that Duty to Serve mapping software that I mentioned at the beginning of this event. It’s free and (unintelligible) available just for Freddie Mac (unintelligible).

MIKE DAWSON: Community land trusts and deed-restricted properties and those types of things are also important features in the affordable housing preservation area.

GEORGE ALLEN: So it sounds like there is some unexplored territory out there.

JIM GRAY: Yeah there’s a lot of unexplored territory. There are a couple other points to make about framework. So one is that FHFA is looking at what would be appropriate changes to the framework. I don't think this really raises necessarily a change, because the idea that you're putting forward is actually contemplated by the existing framework because, number one we have provided in the existing framework that an activity that counts -- that would get credit under more than one market can get credit under more than one market. So that provides an additional incentive.

And plus in addition to what Sarah said, and others have said about what counts as Affordable Housing Preservation in the statutory and regulatory activities, we have provided for additional activities. So the ultimate answer to your question about a next step, you know, one possible next step would be that one or the other Enterprise, if they found that what you're talking about wasn't fitting within the current structure, it could always be proposed as an additional activity. Okay? So that’s a good question. And I think we’ve all had a shot at answering it. So who has the second question?

DAVID SANCHEZ: That would be Spencer Roane.

SPENCER ROANE: Hi. I would like to ask, while I have the mic, three questions. One, as a businessperson and a taxpayer, I’d like to congratulate all three entities on the progress that you've made over the past ten or 11 years, excluding from what I understand repayment of an enormous debt. And recently, of course we’ve heard comments about the idea of privatization of the GSEs. So my first question is, what effect would privatization have on what we've been talking about today? My second question has to do with chattel financing –

JIM GRAY: So let's take these one at a time.

SPENCER ROANE: OK, sure.

CLINTON JONES: Any privatization of Fannie Mae and Freddie Mac, they’re already private.

JIM GRAY: So maybe you mean the end of the conservatorship?

SPENCER ROANE: Yes.

JIM GRAY: Duty to Serve is not a part of conservatorship. Duty to Serve is -- the Federal Housing Finance Agency essentially divides our responsibilities to Fannie Mae and Freddie Mac into two big buckets. One bucket is the extra layer of oversight that we have over Fannie Mae and Freddie Mac while they're in conservatorship. And then the second bucket is regulatory responsibilities that we have regardless of whether Fannie Mae and Freddie Mac are in conservatorship.

So for example, the affordable housing goals and the Duty to Serve are both regulatory responsibilities that do not have anything to do with conservatorship. So once Fannie Mae and Freddie Mac finish their conservatorship, they will still have their complete responsibility to discharge their Duty to Serve obligations. They will have some more flexibility at that point in determining their products, but there is also oversight over that outside conservatorship.

CLINTON JONES: And let me just go back to your more global question. We have a new director who came in April. His goal to move Fannie and Freddie out of conservatorship, you're probably already seen in the news, certain steps that we've made. We have a letter of agreement with Treasury. So, they're already retaining capital that they weren't before. And so in the next few months we will be looking at hiring a financial advisor to help us on our end, to figure out what we need to do in terms of all the steps that would be necessary to begin that particular process and seeing it to the end.

So in the next four and a half years there will be a lot of effort by the agency to move them out of conservatorship so that they're -- we have a different kind of relationship where we will be the regulator instead of the conservator. But I think Jim has kind of already answered the question of how that impacts Duty to Serve. But you will see that, hopefully you'll see a distinction for (unintelligible) for how Fannie and Freddie (unintelligible).

JIM GRAY: Go ahead with your next question.

SPENCER ROANE: Yeah my second question has to do with chattel financing. We've heard a lot today talking about research and planning associated with chattel financing. But I'm curious if either of the Enterprises have actually purchased any chattel finance loans, as I think we were sort of led to believe a year or so ago would happen over the next year or so.

MIKE DAWSON: So just from the Freddie Mac perspective, we submitted our purchase proposal to FHFA. They're working through getting a response to that.

SARAH EDELMAN: And as it stands (unintelligible), we've also submitted our proposal (unintelligible) and we're waiting for further direction.

CLINTON JONES: So I'll take responsibility because I'm the person at FHFA that is probably looking at that issue more than anyone else at the moment. I have a bunch of questions that I've asked a person who works -- who reports to the office of the director to do some research on. So I'll take the responsibility personally, you know, professionally where there's a bunch of issues that I want to have resolved before we actually move forward

(unintelligible)

JIM GRAY: Okay to your third question.

SPENNCER ROANE: My third question again has to do somewhat with the chattel financing. I know a year or so ago the GSEs asked for cooperation by and from lenders in the manufactured housing industry. You've -- several of you I guess have commented on the need for data to be able to make decisions, and I'm curious if you've gotten that cooperation that you asked for.

MIKE DAWSON: Yeah, the lenders have been terrific in working with us. From a data perspective, reviews of execution, pricing execution, credit execution and all those other components around it. So, can't thank the lending community enough for their help on the journey so far. So good question.

GEORGE ALLEN: Wait a minute, you're telling me that 21st Mortgage is in fact giving you all the information on their mortgage portfolio?

MIKE DAWSON: I'm not mentioning any lender names or anything like that.

SPENCER ROANE: (Unintelligible) hold 70 percent of the national market, so you know, they're the only game out there.

MIKE DAWSON: There's a lot of lenders out in this market.

GEORGE ALLEN: Yeah, not with 70 percent market share. Okay, sorry about that.

SARAH EDELMAN: I would say that at the end of the day, we did get the data that we needed. And we have some wonderful lender partners. I would not -- it is still difficult to get an enormous amount of data, and so those data challenges persist.

SPENCER ROANE: Thank you.

DAVID SANCHEZ: Next on the list we have Mark Weiss.

MARK WEISS: Thanks for that. I have a number of questions that are arising out of your opening remarks. First for –

JIM GRAY: So Mark before you start, let me -- I think the rule of three is probably good. So we'll give you up to three questions, okay?

MARK WEISS: Okay, I'll be judicious then. In Fannie Mae's presentation you mentioned a 26 percent increase in manufactured home real property business. And now in excess of 12,000 homes. Is that for 2018, and what's the baseline for the 26 percent increase? What is the baseline year?

SARAH EDELMAN: The baseline year was -- that was just 2018. And the baseline year was it was between, it was an average between 2014 to 2017.

MARK WEISS: Okay so prior to Duty to Serve.

SARAH EDELMAN: Yes, prior to Duty to Serve.

MARK WEISS: Okay. In the request that Fannie submitted to modify the existing plan with respect to MH Advantage, it states there were no deliveries in 2018. I assume that means no loans purchased under MH Advantage?

SARAH EDELMAN: In 2018 there were no deliveries or loans purchased.

MARK WEISS: Okay how about 2019?

SARAH EDELMAN: We have -- there have been deliveries in 2019.

MARK WEISS: Do you have a number? Can you characterize it?

SARAH EDELMAN: To date, I believe there are -- there have only been, there's been ten closed MH Advantage loans. The pipeline, it takes a little while to sort of get through the process and to know whether we'll see deliveries then. That's the overall number (unintelligible).

MARK WEISS: Okay thank you. Similar question for Freddie Mac. In your notes for the next Duty to Serve implementation plan one of the bullet points was *Enhance Choice Home offer to increase participation*. Again, did you have a number for participation in MH Choice in 2018, 2019.

MIKE DAWSON: For the Choice Homes, again nothing in 2018, we're hoping to get some deliveries before the end of the year in 2019.

MARK WEISS: Okay so nothing to date?

MIKE DAWSON: Yeah.

MARK WEISS: Okay, actually I think that's it for the moment.

JIM GRAY: Great, thank you. All right. So that's all the questions we had down. Unless there is anybody else who hasn't had a chance to ask a question, who has a question.

GEORGE ALLEN: Jim, I'd like to clarify something I said earlier if it's OK. I think I kind of owe it to the folks that are picking the loans at the GSEs relative to land lease communities (unintelligible). The information I was referring to is a work in progress, so I hesitate to mention it, but this is the only time I get to see all you guys and ladies at one time. But basically, if you Google fair market rent, you're going to come up with a (unintelligible). Just within the last 30 days they've released the FMRs on the national level by geographical region of conventional – subsidized but also conventional housing.

The point is, if you look up a particular geographical area, I'll just give you an example. A semi-rural area in Indiana where I live, I live in (unintelligible), the FMR is $900 a month for a two-bedroom, two-bath apartment. And so, in these instances where these, some private equity firms are coming into town, they -- they will come in -- I think I got ahead of myself.

You take that $900 a month and divide it by three, which is the industry's traditional allocation of site rent compared to apartment rent in the same local housing market and you go and figure that's $300. And then you go out there and look at what the rents are now going for at this recently acquired property, let's say in the case of private equity. And all of a sudden, it's $500 a month -- you've got a problem. Or you know you have a potential problem, because that's over $200 – more than $200 a month greater than what the -- what it probably should be. And what happens when you look at these rents (unintelligible), they're actually coming out on a two-to-one ratio instead of a three-to-one. In other words, they're basing their business around $450 a month rent in a market where quite frankly it's been $300 a month.

My point being that you should maybe get familiar with a couple of these quote-unquote rules of thumb and particular resources from HUD. And as you're underwriting these mortgages be sure that you're not going to bat for somebody that's in it for a predatory gain that, the end result is people start moving out or abandoning their homes, and they continue to jack the rents to make up for the money to come in, because they're losing from people abandoning their homes. I mean, you can kind of head this off at the pass if you know it ahead of time. But at least now, (unintelligible) get you to ask the question, you know why is your rent $200 or $300 a month ahead of the other leased properties of a similar size in your local housing market? That was all I was trying to say.

JIM GRAY: Okay that's a good point. Thank you. All right. So, at this point we're ready to transition to our third and final panel. And so, could I ask that all of the rural housing speakers who are signed up to come to the front row? And we've got some changes here in the Fannie Mae staff.

RUSSELL KANEY: My name is Russell Kaney, Director of Programs for the Rural and Native American Initiative at Enterprise Community Partners. Enterprise Community Partners is a national not-for-profit and an intermediary. We are involved in affordable housing and community development as an organization since 1982. Our rural programs began in 1993, and our Native communities programming began in 1997.

Our clients, typically rural, not-for-profits and community development corporations, tribal housing authorities, and Tribally Designated Housing Entities, and tribal housing programs themselves, continue to struggle in 2019 with finding appropriate and affordable capital resources to serve their very low- and low-income clients and struggle to build their capacity as organizations to maintain the status quo. Not having the ability to expand their services, lending preservation efforts to more people in their footprint.

In addition to my responsibilities as Director of Programs at the National -- at the Rural Native American Initiative, I also serve as president and a board member of the Wisconsin Council for Affordable and Rural Housing. That organization follows and advocates, educates all that are willing to listen on the rural rental housing 515 program, administered by the Rural Development USDA. With over 350 properties in Wisconsin alone, this subsidized housing serves resident households with an average income of $12,500 per year. Units are old, most built in the 1970’s and 1980’s. Major investments and rehab are needed to make this housing sustainable for the long term. In addition, mortgages on these properties are maturing and if paid in full, loss of federal assistance will occur. Without this housing in rural communities, where do households with $12,500 annual income live?

These issues are not new. The Enterprises are aware of the numbers and circumstances through their extensive research and analysis during the first two years, 2018 and 2019, of Duty to Serve. But I'm looking beyond 2020, the end of the initial three-year Duty to Serve period.

Rural America is looking for answers. My travels and discussions with our clients, partners and stakeholders show a continued frustration with the lack of attention, capital, ideas and strategies for advancing rural housing, recapitalizing existing housing and growing local economies.

Loan activity has dropped off significantly in the guaranteed loan programs for rural housing, such as the 502 guaranteed loan program, the multifamily guarantee program, also referred to as a 538 program, and the HUD 184 single-family housing guarantee for Native Americans. These programs all have guarantee authority that are not being reached or exceeded yet provide a great opportunity for the Enterprises to be engaged with lenders participating in these programs. Community banks play a role, private mortgage companies play a role, housing finance agencies, particularly in rural states, can play a much bigger role with support from the Enterprises.

Enterprise Community Partners engaged with the Enterprises on numerous occasions over the past two years to discuss these issues, barriers, to introduce partners doing the work on the ground. We will continue to provide ideas, concepts, solutions over the next three-year cycle.

The Enterprises must do a better job of communication in their successes. But also on their failures to date on Duty to Serve. The economy, the job market and housing issues are not static. A lot can change over a three-year plan. We hope there is flexibility in moving these plans forward with changes when needed.

Our commitment at Enterprise Community Partners is long term. For rural housing issues, we hope that FHFA takes a long-term approach in helping to solve deeply embedded rural housing preservation and affordability issues.

Specific recommendations, we applaud the reemergence of both Fannie Mae and Freddie Mac in the equity markets, allowing up to $500 million of Low-Income Housing Tax Credit investments per year, per entity is a positive step. However, a higher percentage of investment in rural properties is highly encouraged. These would include Tribal Low-Income Housing Tax Credit investments, particularly in areas of persistent poverty.

Rural development partners can spend 12 to 24 months or more researching, negotiating, completing third party reports, market studies, comprehensive needs assessments, environmental reviews, appraisals, costs and construction estimates. All time and capital spent on not knowing whether you will be successful in obtaining tax credits or the additional financing required to make the transaction work. The capital must be available at the appropriate time to complete these transactions. If FHFA is to make adjustments to the equity caps in the future three-year Duty to Serve plans, we encourage you to require additional equity be placed on rural preservation transactions.

Capacity-building and technical assistance continue to be huge issues in rural and Native communities. Long standing, reliable nonprofits and CDCs working in the rural space are extremely busy. Their plates are full. We simply need more organizations to fill the rural void. Housing finance agencies at the state level have been addressing this issue. More needs to be done to encourage the refinancing and recapitalization of smaller projects in rural America.

Our organization has continued to work with rural stakeholders in developing this capacity. Examples include one-on-one technical assistance, directed to rural organizations that have not been involved to date with preservation projects, financing, and the nuances that come with rehabilitation of 40-year-old units. Understanding and deciphering the statutory and regulatory requirements of the rural rental housing 515 program as administered by USDA. Comprehending the HUD Section 202 and 811 for preservation purposes, understanding qualified contracts and year 15 issues to keep rural LIHTC properties viable after an investor exit, all take time and capital to complete.

(Unintelligible) preservation academies, organizing buyer/seller conferences for rural owners and potential buyers, have been strategies we’ve used to push preservation forward. These strategies have been supported by the Enterprises.

Finally, I want to mention our work in Native -- with Native organizations in the area of homeownership. Significant time and research has been spent over the past five years exploring the barriers and challenges of providing adequate capital, homeowner counseling, credit repair, and post-purchase counseling. Work at the Center for Indian Country Development based at the Federal Reserve Bank in Minneapolis has elevated the importance of homeownership, building capacity, building assets as a way to elevate households out of persistent poverty.

Tribal communities have relied on rental housing, by and large, to provide the bulk of their housing inventory. Administered by Tribal Housing Authorities and TDHEs. Providing an alternative housing option, homeownership, is a viable opportunity to be addressed by Duty to Serve. Duty to Serve has provided a base, a platform to raise the awareness of rural housing, rural preservation and manufactured housing -- their issues and their challenges. Let’s take the second three-year plan for Duty to Serve to solve these same issues. Thank you.

DAVID SANCHEZ: Next up we have Stephanie Nichols from the Housing Assistance Council.

STEPHANIE NICHOLS: Good afternoon everyone. I'm Stephanie Nichols, I’m here on behalf of the Housing Assistance Council, otherwise known as HAC. We appreciate the opportunity to offer our comments on the Duty to Serve as the Enterprises begin the process of developing the next three-year set of Duty to Serve plans for the years 2021 to 2023.

HAC builds homes, helps build homes and communities across rural America. Founded in 1971 and headquartered in Washington DC and working in all 50 states, HAC is a national nonprofit and a certified community development financial institution. We are dedicated to helping local rural organizations build affordable homes in vibrant communities. We provide below-market financing, technical assistance, training and information services. HAC also serves as rural America's information backbone. Leading public and private sector institutions rely on HAC's independent nonpartisan research and analysis to shape policy.

As a strong advocate of the Duty to Serve provision of the Housing and Economic Recovery Act of 2008, HAC appreciates the time, effort and resources FHFA, Fannie Mae and Freddie Mac have undertaken to develop and implement their underserved market plans. The core of HAC's work for nearly five decades has been rural and underserved communities. HAC understands the complexity and difficulties of working in these communities. HAC understands the promise and possibility of Duty to Serve to effect real and measurable change in these long-overlooked largely forgotten communities and people. Our experience is that rural communities, even the most challenged, can be largely creditworthy and ripe for investment, provided that the relationship-building and understanding of rural (unintelligible).

As the Enterprises look to develop their next set of plans, outreach and relationship-building in rural communities will remain critically important. Fannie Mae and Freddie Mac are integral players in the U.S. mortgage system but the Enterprises' activity in rural communities has been limited at best. Between 2012 and 2015, the Enterprises' rural loan activity accounted for roughly 12 percent of their total purchases, less than the overall mortgage originations in rural areas. Generally, the more rural a community, the less likely Fannie or Freddie will purchase a loan there. And when rural loan purchases do exist, they're concentrated near suburbs, suburban and urban areas.

The Enterprises should continue to proactively build trust and relationships with lenders who are working on the ground in high-needs rural regions. These local institutions have a long track record of success. But much of their lending would not fit into the Enterprises' box. Furthermore, rural small financial institutions often have preconceived beliefs that they cannot work productively, particularly with the Enterprises because of lack of loan volume, lack of staff capacity and inflexible Enterprise purchasing requirements.

To this end, HAC would encourage both FHFA and the Enterprises to redouble the efforts to spread the word and educate practitioners about Duty to Serve. Despite being several years into the underserved market plans, HAC has a strong sense that the understanding and familiarity with Duty to Serve has not necessarily permeated as strongly in rural communities as it could and should. More outreach and education is necessary if Duty to Serve is to reach its full potential in rural America.

HAC would also encourage the FHFA to adopt more transparent and robust public evaluation methods. In order for HAC and others to engage in education about and advocacy for Duty to Serve with rural communities and policymakers, more transparent evaluation methods and outcomes data needs to be made available. The Annual Housing Report was released on October 30th of this year and included a section on Duty to Serve. While the report reiterated that both the Enterprises met or exceeded their Duty to Serve purchase goals in 2018, it did not provide much additional detail as to the location or other specifics of the purchases.

HAC would encourage the FHFA to issue more detailed evaluation of the Enterprises' work on Duty to Serve. Such a robust evaluation would help both policy makers and target markets understand the impacts of Duty to Serve, and identify areas for expansion, improvement and tailoring.

And finally, looking forward to the next set of three- year plans, the Enterprises should consider building on their hard work by further expanding their purchase goals and rural-tailored product offerings. More robust purchase goals could help inspire real buy-in from sometimes skeptical rural communities. Both Enterprises were able to exceed, sometimes significantly, their (unintelligible) targets. These positive results is a promising sign of the potential Duty to Serve holds for underserved markets, however it also indicates that more ambitious goals might be appropriate in the next round of the Enterprise plans.

The next phase of Duty to Serve should also build upon the rural relationships that the Enterprises have been fostering over the past few years, especially with local, regional and national nonprofits, tribes and CDFIs. The lending models at these organizations have developed to work in their communities, and the Enterprise plans would benefit from taking the lessons learned by these local organizations into account when developing appropriate rural products.

Thank you for hosting this very important listening session. I truly appreciate the opportunity to speak both to the successes and the untapped potential of Duty to Serve in rural America.

DAVID SANCHEZ: Is Jacqueline Hutchinson here in the room? What about Matthew Ragasa?

JIM GRAY: No? Okay. So I think we have now heard from all of the scheduled speakers. We do have maybe one or two other people who observed but haven't had a chance to speak yet. So, this is sort of the final call if anybody would like to make remarks, if you (unintelligible) on a matter other than rural housing. The only limitation is we only want to hear from people who either haven't yet spoken today or aren't scheduled to speak at one of the other listening sessions. Oh great.

INGRID RIPLEY: I'm Ingrid Ripley and I work at the USDA and I've been involved in the Duty to Serve early on. And I would like to say that I have been working with actually Freddie Mac and Fannie

Mae in trying to see something in rural areas on the multifamily side. So we both have been working together. Unfortunately, there are some times our rules and restrictions, our legislation, that we are - inhibit us, that has a lot of boundaries that we can’t go over. So we’re still looking at that and we are still having some conversations about how to serve rural communities. So I figured that it would be nice to let them know, the audience know, that yes, they’ve been working with rural communities and how to help with multifamily.

JIM GRAY: Great, thank you. Is there anybody else? Okay. So would you mind coming down to the front row in case anybody has a question for you during this process? You can do it from there if you prefer. Clinton do you have a question?

CLINTON JONES: I have a bunch of questions. Stephanie, first of all I am very familiar with your organization. One of the -- you used to do self-help housing, I’m not sure if that’s still a strong component. Any of that ever linked in to Duty to Serve, or using the resources of Duty to Serve?

STEPHANIE NICHOLS: For the most part they use the USDA 502 direct market product. So I'm unaware of any instances.

CLINTON JONES: Okay, so outside of 502 direct loans, that’s kind of it?

STEPHANIE NICHOLS: Yeah.

CLINTON JONES: Okay. You had mentioned you wanted to see more transparent and robust evaluation methods. And then you talked about location, maybe getting a better idea of where projects or where resources are allocated. What else did you want to see in a transparent and robust evaluation? This is something we're looking at now, so what else do you need -- what do you think would be very helpful to you?

STEPHANIE NICOLS: I think location is number one. We -- like Russ had mentioned, we also have a very strong emphasis on persistent poverty, Colonias, central Appalachia, lower Mississippi Delta, Native American land. And then just, sometimes we call it the Black Belt, southern -- you know, so seeing where those investments are taking place. And I also mentioned, you know, we see a lot of investment happening right outside the urban areas. Getting that investment into those really remote counties in Northwest Kansas.

CLINTON JONES: Well that's going on to my next question, maybe more for Russell but maybe you can answer it too. So, not to give too much information -- we're from Kansas and also my family's from North Carolina and so I understand those rural areas. So when you look at Greenville, North Carolina, a very robust town, you may have rural development just right outside of Greenville, but when you go two counties over it's really remote. And there's not a lot going on. That's just it – there's not a lot going on.

How could we, you know, other than (unintelligible) looking at Duty to Serve, what should we be doing differently? I'll just give my personal opinion is, doing the county outside of Greenville is very easy. But two counties over (unintelligible) part is more rubber on the road. What should we be thinking about for those more really harder to serve areas? Which is I think part of what Duty to Serve is about.

STEPHANIE NICHOLS: I’m going to let Russ respond to this as well. But I think it is all about the volume, you know. These rural groups that we work with most of them do five units a year, or 12 units a year. And it’s hard to, there’s, you know, the learning curve, getting past that, getting into the door, having the capacity to do these deals, I think is a big key factor.

RUSSELL KANEY: So one of the things that we’ve encountered is, and we're always looking for rural partners, that – and then more and more in the last few years – rural partners that have kind of a bigger footprint that they’re working in. Either maybe a regional footprint or a statewide footprint. Sometimes we can find them, sometimes we cannot. It’s been trying to engage other organizations, then, to step outside that urban-suburban platform that they’ve been used to and going to some of the rural areas.

There is -- so there’s always going to be some push back in doing that, in that they’re going to argue that, you know, I can do in the same amount of time, put together a multifamily or a single-family project, financing and such. There's a bigger market here. I’ve got to spend more time, it's the driving, it's all these issues. But if there’s incentives that are put out there, either by the state, using incentives from the housing finance agencies to their tax credit program or small financing and such, that are drawing developers and others, to these communities to work in those areas. There's got to be some incentives for organizations to get there.

We're also seeing some feedback and pushback from the rural communities themselves. They're having a very difficult time being able to maintain the businesses they have, their workforce. Workforce housing is all the rage now. And you know, just basically strategies to build anything in some of these communities. And they're putting pressure on their state governments to step up and help and they're putting some pressure on just the employers also in the region, what they could do possibly to incentivize additional housing.

CLINTON JONES: So from our perspective on Duty to Serve, is there something different we should be doing? Or should we be waiting on local governments and organizations to develop a, like a consortium or something? What should we be doing, particularly for the folks to my left?

RUSSELL KANEY: Yeah, I'm going to agree with Stephanie from the standpoint of communication. I talked to a lot of rural partners, they don't know what Duty to Serve is. They have not really experienced that. The communities haven't, the community banks, some are very much involved with Fannie and Freddie, many are not. So it's really the community lending institutions that have got to be approached and to buy-in.

And to then -- the thing that I keep hearing from Fannie and Freddie are about scale. And about, you know, having a volume. Well a lot of these communities that we're working in, you are not going to have a huge volume. In areas of persistent poverty, the volume is not going to be there until something happens. Something's not going to happen until somebody gets engaged with the banks and CDFIs and any other form of capital that can come there.

So that becomes the issue, I guess up front. And then the statement that I saw on one of the slides is that, if you don't have that volume, and you don't have that experience, then where does that leave those communities? They are just kind of out in the cold.

MIKE DAWSON: To actually follow up on that comment about the volume. It can be five loans from a community bank, or one loan from a community bank. It's the totality of the scale across the country. We'll buy from any eligible (unintelligible) servicer, whether it be directly to Freddie Mac or indirectly through an aggregator. And so it doesn't have to be that an institution has to reach a certain volume level. (Unintelligible) scale program that's got to support whether it's community banks or other banks across the country.

But to come back to your question, actually, (unintelligible) is around communication. We strive to ensure that people are aware of the programs and there are a lot of people out on the road, but you know that things change over time and, particularly the communications piece, so that people understand the programs and get access to information (unintelligible) we provide. Are there any suggestions you have to you know, besides put a lot more rubber on the road? And we're willing, certainly we're willing to do so, but any other -- anywhere else that we can be providing –

RUSSELL KANEY: The communication, I completely agree. I think, you know, and you have to highlight your successes. Successes not only in -- the annual report I saw was great, pictures and such. But it was the first time -- I'm involved in rural housing every day. That's the first time I've seen kind of highlights like that and pictures and success stories and personal stories and such. You need to do more of that. You need to highlight your multifamily investments in LIHTC. Where are they? Who is it serving? Who is it touching? And as I made comments, I am hoping that there can be additional investments in rural communities, Native communities with the LIHTC program (unintelligible).

JIM GRAY: So to the point that I think both of you have made about publicizing more, there's definitely a lot more that we can do, but the reports that we just put out, that give a dashboard of some of the loan purchases as well as a forthcoming one we have on the LIHTC equity investments, and then the quarterly and annual report for both Freddie Mac and Fannie Mae, should do some of that. But they've only just gone up. And in future years we're going to try to get them up a little more quickly than we did this year. But I would encourage you to take a look at those.

And then a question that I have to sort of piggyback on Clinton’s question. So one of the features that we added in the regulation that is not in the statute was the concept of the high-needs rural regions, that’s the Colonias and Native American areas, Appalachia, Mississippi Delta, and persistent poverty Census tracts. So we put a higher priority on those, we gave extra incentives for Fannie Mae and Freddie Mac to work in those areas. Do you think that those -- that has been a useful construct? Would it be better if we just left it to Fannie and Freddie to sort of operate wherever they think best in rural areas, without those extra incentives for the high-needs rural regions, or is it better to have that?

STEPHANIE NICHOLS: I think it’s better to have that. Those communities have had historic disinvestment. There needs to be motivation to invest in thosee communities.

RUSSELL KANEY: No, I completely agree. You have to elevate those just from an advocacy standpoint and for highlighting those areas. Many institutions around the country, investors and others, you know, just don't know the situation in those areas of poverty that's there. The disinvestment that’s takemn place over time. So highlighting those I think needs to stay in the plan. And for the extra credit.

The biggest issue is the capacity issue. You know, there are things not happening there because there are not organizations that are making it happen. So how do you draw organizations, how do you draw lenders, how do you draw the attention there is number one. But then how do you draw the capital to those areas also to make something happen?

CLINTON JONES: I want to follow up on that. So this may be to the Enterprises and to the panel participants. This is part where I just don’t understand the logistics. But what I’ve just heard is you’ve got to have capacity. Communication, you know, areas need to have knowledge of what’s available out there.

To the extent -- your organizations, are you conduits to the Enterprises to help build that capacity? What is your role in getting into these really very remote counties? (Unintelligible) come from those areas, I can tell you, I don’t think that there’s a housing shortage. I don’t think people are looking on the website to read the affordable housing report to get information. But I’m curious about, you all have national presence. What has been your role in working with the Enterprises to get to those really very remote areas, if any?

RUSSELL KANEY: Yeah that's a great question. And we've been working in building capacity in rural areas, long before Duty to Serve. So the Duty to Serve came along, I think we were maybe a natural conduit, if you will, or a natural organization to have these discussions with both Fannie and Freddie about what is needed in some of those areas. It is both either been kind of looking at what we've been doing in the past from the standpoint of building capacity to technical assistance, identifying organizations that want to expand their programming, maybe beyond their footprint, encouraging them to do that. Take on more work if they can. But be successful project by project whether it be single-family or multifamily or economic development overall. So I think that's been a good relationship that we've had with the Enterprises of being able to help make those connections, if you will.

CLINTON JONES: But it’s still not enough.

RUSSELL KANEY: It’s still not enough. Only because you’ll have some organizations in states that are doing a lot, but as I mentioned, plates are full. And how much work can they take on? We really need more organizations to take on the work. There's so much of it to do.

JIM GRAY: Did you have a comment?

INGRID RIPLEY: I did. One of the things -- one of the comments I want to make is, when you’re talking about communication and education, I think that one of the advantages is that in, for Rural Development, we have tons of field offices, tons of them. We have a state office in every rural area. So, we should partner in such a way where you use the conduit of our -- our people are on the ground down there in those rural communities, they can talk to you about those areas. So, if you’re talking about how to reach those areas, I recommend that you find ways to reach out to RD offices in those rural communities. If you want to target specific areas, you know that you want to see or do a tour.

One of the things that I’ve learned in my dealing -- I’m doing a tour around the country, is that in the Native American community, they don’t even trust us because they want somebody to be there. If you’re just coming in like salesmen coming in and everything, it’s very difficult to get their business because they have this lack of trust. So we're trying to figure out how our staff can stay there longer periods of time to get them, whether it's like once a month, so that they can get comfortable with the fact and let us help them with when we’re trying to provide housing in those areas.

So those are things about those communities that you're going to have to really invest in being in there. And it takes a while because they’re just that type of, they don’t have that trust for government or for businesses, so you need to be there in order for them to trust you.

SAM LIPSHUTZ: Hi everyone, thanks for bringing that up. Actually, that kind of made me think of a question that I wanted to ask on that point. Thank you so much Russ and Stephanie, for all the partnership this year.

So one of the programs that we partnered with -- that we partnered on with Enterprise on the 515 preservation front is partnering to support buyer-seller conferences and preservation academies to preserve the expiring stock. And so, I want to think about the USDA field offices and what role they play in making referrals and making transfers easier. I'm just wondering, like, what's the interplay there between organizations like Enterprise holding preservation academies at the state or regional level and the RD field offices having such a (unintelligible) role to play too.

RUSSELL KANEY: Well as you know we're doing more of that in the future in other states. And it's been driven by our clients, at the request to do that. And it's not just as 515 has come up, we have talked to Colorado, Montana, Oregon, Washington state. And they're concerned about year 15 properties, LIHTC properties in rural areas. The 202s, 811s, kind of a whole array of preservation efforts. And just the recapitalization of those dollars. We -- USDA does have a technical assistance contract out there and we cover 14 states to do technical assistance on transfers of 515s.

It's very difficult to -- it's a multistep process. And we don't work with nonprofits or CDCs and talk them into the program unless they really want to do it and they're going in eyes wide open and they know that there's a large capital expense coming with rehabbing these units. And you've got to do it. Otherwise, you're just going to sink your balance sheet. You're going to be very unhappy at the end of the day. And the best way to do that is with a nine percent tax credit through the Low-Income Housing Tax Credit program, or with bond issuance and the four percent credit. This has been a viable opportunity in other areas.

But this is one piece of housing, I think, (unintelligible) on the 515 program, that’s gotten a lot of attention because of the maturing mortgage issue, because of the rental assistance going away, potentially, and because of the very low incomes of $12,000, $13,000 per household, most of those households being seniors or people with disabilities. The vast majority of those units are occupied by people of age or with disabilities.

So it's something that, this portfolio is going to continue to decrease across the country. There's some properties that just aren't viable in the communities anymore. They're too small, people have left the communities. Hospitals are not there anymore and such. But there are a lot of them that can be rehabbed, in particular, for many, many years.

The issue with USDA, and there’s some great financing programs with USDA, but they’re contracting also from the standpoint that there used to be many more offices across the country. They have area offices now. And they're looking at trying to concentrate their specialization in multifamily and single-family, and we agree with this. So that these people become experts within USDA in that particular program. They're not working on water and sewer grants and loans one day, and then they're flipped over to multifamily and expect to underwrite a loan in the rehabilitation of a multifamily project the next day. Or jump right into guaranteed single-family lending. There's a certain amount of expertise required with all that. And so we really like to see the specialization within USDA to help promote those programs.

And they need to market their own programs better. I shouldn't be the one going out and talking to communities about their programs. I’d like them to come out with me or be there ahead of me so that I won’t have to explain the whole program and getting out there.

MIKE DAWSON: I really like the USDA programs. I support them (unintelligible).

RUSSELL KANEY: Absolutely.

INGRID RIPLEY: One of the changes that’s coming is that just as Russ is talking about the fact that we’re kind of centralizing, we’re a little bit behind the times. Most of the organizations, the lending institutions have always centralized to make it a lot easier. So, we are kind of headed in that direction slowly but surely.

And we are now having our staff, our local staff, be focused more on economic development. We’re pulling a lot of their responsibilities related to administering and processing, servicing, trying to get them to focus on building the communities, rather than doing all that paperwork that keeps them in the office and not in the field getting (unintelligible).

So that is our plan for, you know, working on an optimization project. See what an optimal office in the field that would meet the customers’ needs looks like. So those results will be coming out too, and to optimize our field into, where are the demands in our area? And where do our people need to be? And then trying to locate them in those.

So we are working towards meeting those, meeting our customers there, so this is perfect timing to definitely have more partnerships with Enterprise and you meeting with our staff. Because now their focus is going to be economic development. That's what's going to be their job. No more administrative work, it's going to be part of the -- so that they can focus on the customer.

So they can attend these meetings, if you have meetings out there. Sometimes the work that they have to do at home, and the loan processing, prohibits them from being out there and learning more about the projects. So we are going through those changes which is prime for what we're all trying to do here.

JIM GRAY: Does anybody else have any—

KELLIE COFFEY: I have a question. This question is for Russ. Russ you had mentioned the HUD 184, and how it kind of serves Native American populations. So internally we've been, you know, deciding whether or not conventional has a place in Native American lands or if the HUD 184 is indeed providing the liquidity that is needed. So, I guess my question to you is, is there a benefit, or is there some impact by bringing diversity in another type of a mortgage product into Native American land? Or if not, how is it that we complement or add value and partner with the HUD 184 to further (unintelligible)?

RUSSELL KANEY: Well I think there's an opportunity for having another loan product out there for Native Americans other than 184.

The 184 is pretty flexible in that the loans can be made anywhere. I know a Native American that bought a condo in Chicago with a 184 loan. Most of the time, we're dealing with remote locations, Native American communities that have the opportunity to use 184 or can use the 502 direct program or the 502 guaranteed loan program. Both great programs, and both have done some volume around the country.

We get back to the issues of credit repair, homeowner counseling, kind of all of these things that lead up to being able to qualify for a mortgage in the Native American communities, kind of enhanced by two or three times, just because of some of the issues they’ve had. And as you know, Kellie, the lending on trust land has been very, very difficult in the past, if not in some states impossible, just because of the issues over getting leasehold interests and such.

So it’s possible. I don't know what that looks like right now. But it would take a major effort to push that loan product and convince folks that it's better than 184. I think there's a lot of programs that you could devise that would be better than the 184. The one thing about 184, and I’m not sure everybody can do this, is that those loans are assumable. I don’t know if any loans out there anymore that are assumable, but that's one strategy particularly as interest rates have come down, a lot of tribes will pursue it, because they know that in this low-interest rate environment, that’s something to do right now.

KELLIE COFFEY: Yeah. I guess (unintelligible), we really are focused on trust lands. That's the greatest need, even with the HUD 184, four or five percent of those loans are actually done on trust land so we're really focused on that. But I appreciate your insight. Thank you.

JIM GRAY: Is that -- does that do it? Okay. So, I think we are nearing the end of our first 2019 Duty to Serve listening session. It, from my perspective, it has been extremely valuable to hear directly from all of you, from your insights, from really being so close to the ground of where this work is being done. I think you've given FHFA some good ideas about how we can improve the Duty to Serve framework. I've seen a lot of notes being taken by people from Freddie and Fannie about ideas that they could consider incorporating in their Duty to Serve activities going forward.

So, we very much appreciate and understand how this is a big commitment of time for a lot of busy people. And we thank you for making that time. In terms of next steps, of course, our immediate next steps are we are having a similar session to this on Thursday at the Federal Reserve Bank of Los Angeles. And then the Monday after the Thanksgiving holiday, we're having a similar Duty to Serve listening session in Washington, DC at FHFA headquarters. We'll then have one virtual session for people who are unable to make it to any of these. And after that we'll be much better equipped at FHFA and at the Enterprises to think about what changes after the experience of the first year that need to be made in Duty to Serve as we think about the second three-year cycle.

So with that, we will close. Thank you all very much.