This presentation is a summary of the 2015 proposed Duty to Serve rule. For detailed information on the proposed rule, refer to the link on slide 21.
WHAT IS THE DUTY TO SERVE?

The Housing and Economic Recovery Act of 2008 established for Fannie Mae and Freddie Mac a duty to serve very low-, low-, and moderate-income families in three specified underserved markets:

- Manufactured Housing
- Affordable Housing Preservation
- Rural Housing

Each year, FHFA is required to evaluate and rate each Enterprise’s performance in each underserved market and report the results to Congress.
UNDERSERVED MARKETS PLAN DEVELOPMENT

1. Each Enterprise submits a three-year draft Plan to FHFA
2. FHFA posts public versions of the draft Plans on the FHFA website
3. Public provides input on the draft Plans
4. FHFA comments on the draft Plans
5. Each Enterprise revises its draft Plan, as applicable
6. FHFA issues a non-objection to each Plan
7. Enterprises and FHFA post final Plans* on respective websites

*6 Months

*A final Plan could be modified during its three-year term subject to FHFA non-objection of the modified Plan
ACTIVITIES

Underserved Markets Plan

- Core Activities*
- Additional Activities

Statutory Activities
Regulatory Activities

*An Enterprise would be required to provide a reason in its Plan if it is not including any Core Activity
Activities comprise Objectives

Objectives

Objectives are measurable tasks to be accomplished by Fannie Mae and Freddie Mac for each Activity

Assessment Factors

Objectives incorporate a statutory assessment factor: Outreach, Loan Products, Loan Purchase, or Grants and Investments

Extra Credit

Residential Economic Diversity Activities

1) Affordable housing in a high opportunity area; or 2) Mixed-income housing in an area of concentrated poverty
MANUFACTURED HOUSING UNITS
REGULATORY ACTIVITIES

Real estate-financed units

Chattel-financed units:
• Not proposed as a Regulatory Activity
• Seeking public comment on a possible pilot
MANUFACTURED HOUSING COMMUNITIES
REGULATORY ACTIVITIES

Manufactured housing communities blanket loans

- **Size:** Contain \(< 150\) pads

- **Ownership:** Residents, non-profits, government/instrumentalities

- **Pad Leases:** Tenant protections

Determining Affordability: Estimation Methodology
AFFORDABLE HOUSING PRESERVATION
MULTIFAMILY CORE ACTIVITIES

Nine statutorily listed programs
See slide 10

Small multifamily rental properties (5-50 units)
Loan pools from small banks and community-based lenders

Energy efficiency – multifamily
Retrofit rental properties

The U.S. Department of Housing and Urban Development’s (HUD)
Rental Assistance Demonstration Program (RAD)

HUD’s Choice Neighborhoods Initiative (CNI)
STATUTORILY ENUMERATED ACTIVITIES

1. HUD Section 8 Rental Assistance Program
2. HUD Section 236 Interest Rate Subsidy Program
3. HUD Section 221(d)(4) FHA Insurance Program
4. HUD Section 202 Housing Program for Elderly Households
5. HUD Section 811 Housing Program for Disabled Households
6. McKinney-Vento Homeless Assistance Programs
7. USDA Section 515 Rural Housing Programs
8. Federal Low-Income Housing Tax Credits (LIHTC)
9. Other Comparable State and Local Affordable Housing Programs

The statutorily listed programs are Core Activities.
SMALL MULTIFAMILY RENTAL PROPERTIES

A Regulatory Activity is purchasing small multifamily loan pools

FROM

Small multifamily (5 to 50 units)

Small banks & Community-based lenders (2015 asset cap of $1.123 billion)
Energy efficiency improvements on existing multifamily rental properties is a Regulatory Activity

Rental: Multifamily properties

- Projections that improvements will reduce energy and water consumption by the tenant by at least 15 percent
- The reduced utility costs from reduced consumption must not be offset by other charges
- The reduced utility costs must offset the upfront costs of the improvements within a reasonable time period
OTHER MULTIFAMILY AFFORDABLE HOUSING PRESERVATION PROGRAMS
REGULATORY ACTIVITIES

Rental Assistance Demonstration Program
The RAD program enables public housing authorities to tap outside sources of capital to renovate and preserve public housing units.

Choice Neighborhoods Initiative (CNI)
CNI focuses on creating mixed-income housing and investing in neighborhood improvements.
AFFORDABLE HOUSING PRESERVATION
SINGLE-FAMILY REGULATORY ACTIVITIES

- Energy Efficiency – Single-Family
  First-lien properties

- Shared Equity
  Deed-restricted, community land trusts, shared appreciation
Energy efficiency improvements on existing single-family, first-lien properties is a Regulatory Activity

Owned: Single-family, first-lien properties

Projections that improvements will reduce energy and water consumption by the homeowner or tenant by at least 15 percent

The reduced utility costs from reduced consumption must not be offset by other charges

The reduced utility costs must offset the upfront costs of the improvements within a reasonable time period
Shared equity homeownership is a Regulatory Activity
(homeownership programs with long-term affordability)

Deed-Restricted Programs
(designed for long-term affordability; includes, but is not limited to, the majority of inclusionary housing programs)

Legal Mechanism: Deed covenant

Community Land Trusts

Legal Mechanism: Ground lease or deed covenant

Shared Appreciation Loans

Legal Mechanism: No monthly payment second mortgage loan
“RURAL AREA” DEFINITION

A census tract outside of a Metropolitan Statistical Area (MSA) as designated by the Office of Management and Budget

OR

A census tract that is in an MSA, but outside of the MSA’s Urbanized Areas and Urban Clusters, as designated by the U.S. Department of Agriculture’s Rural-Urban Commuting Area codes
Activities that serve rural areas generally

Activities that serve high-needs rural regions or populations is a Regulatory Activity

High-needs rural regions:
Middle Appalachia, the Lower Mississippi Delta Region, or a colonia within 150 miles of the U.S.-Mexico border

High-needs rural populations (as Federally defined):
Members of a Federally recognized Indian Tribe located in an Indian area, or migrant or seasonal agricultural workers
EVALUATIONS AND RATINGS

**Evaluation Guides:** Allocates scoring points to be earned for specific Duty to Serve Activities performed under the Plan. Prepared annually and posted publicly.

**Potential Scoring Points:** Evaluation Guide establishes 100 potential scoring points that can be earned in each underserved market, inclusive of extra credit.

**Scoring Performance:** At year end, FHFA assigns scores for actual performance in each underserved market in accordance with the Evaluation Guide. Scores may range from 0 to 100.

**Ratings:** Composite scores will be assigned a rating of “Exceeds,” “High Satisfactory,” “Low Satisfactory,” or “Fails” for each underserved market.
Deadline: 17 Mar 2016

Submit Written Comments:
http://www.fhfa.gov/SupervisionRegulation/RegulationFederalRegister/Pages/Open-for-Comment.aspx
FOR MORE INFORMATION

FHFA website address for the 2015 Duty to Serve proposed rule:


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