



DUTY TO SERVE

NOTICE OF PROPOSED RULEMAKING

FEBRUARY 3, 2016

AGENDA

Overview of the Proposed Rule

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Questions and Answers

Closing

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:

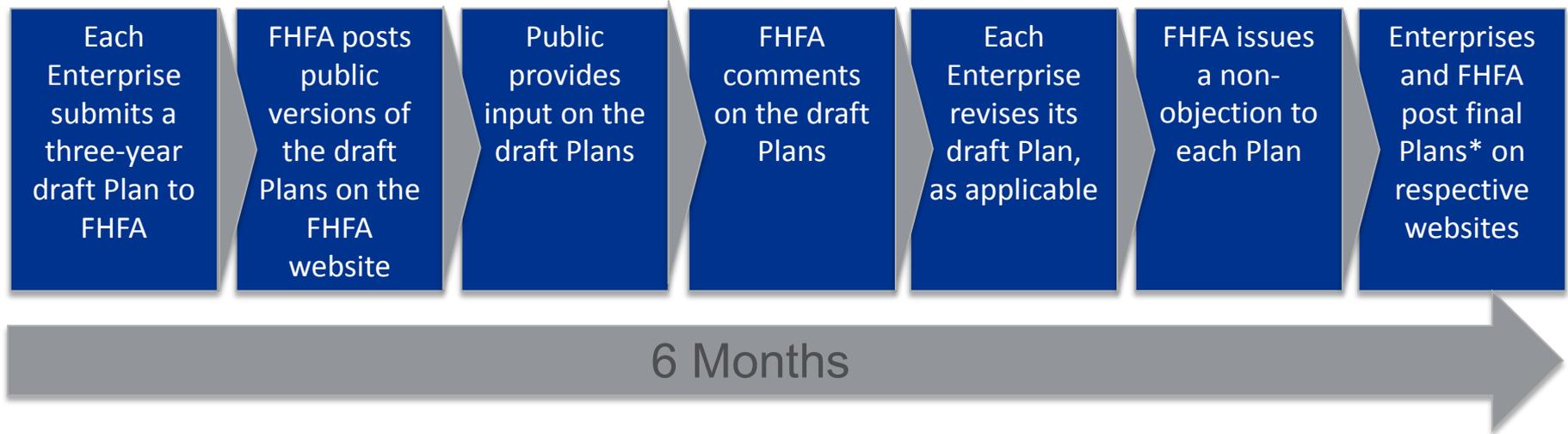
Manufactured
Housing

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



*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*

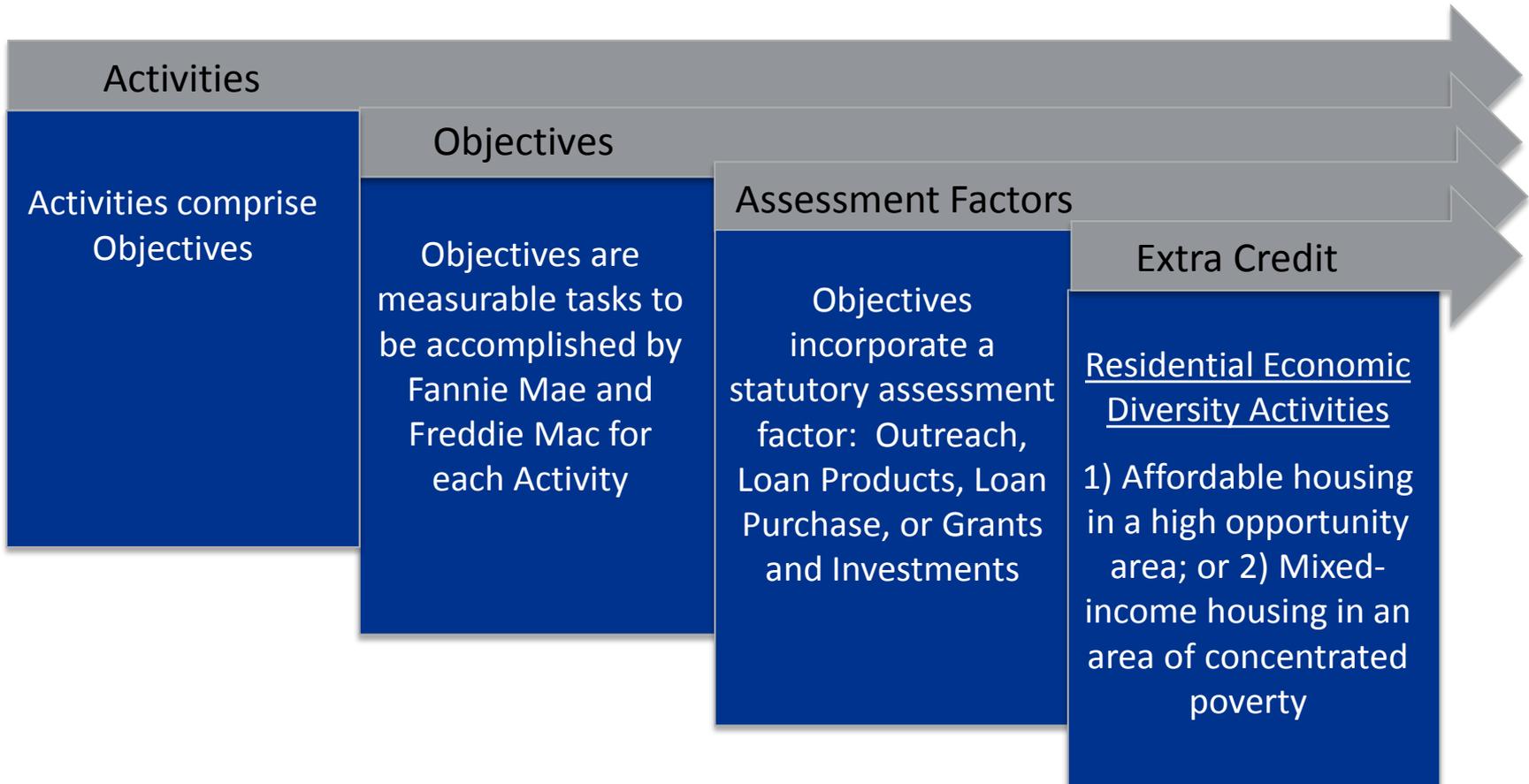
Additional Activities

Statutory
Activities

Regulatory
Activities

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

ACTIVITY PLANNING



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 \leq 150 pads

OR

Ownership: Residents, non-profits,
government/instrumentalities

OR

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

The statutorily listed programs are Core 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

SMALL MULTIFAMILY RENTAL PROPERTIES

A Regulatory Activity is
purchasing small
multifamily loan pools

Small multifamily
(5 to 50 units)

FROM

Small banks &
Community-based lenders
(2015 asset cap of \$1.123 billion)

MULTIFAMILY ENERGY EFFICIENCY

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 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

SINGLE-FAMILY ENERGY EFFICIENCY

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

AFFORDABLE HOMEOWNERSHIP PRESERVATION

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

RURAL HOUSING ACTIVITIES



Activities that serve rural areas generally



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

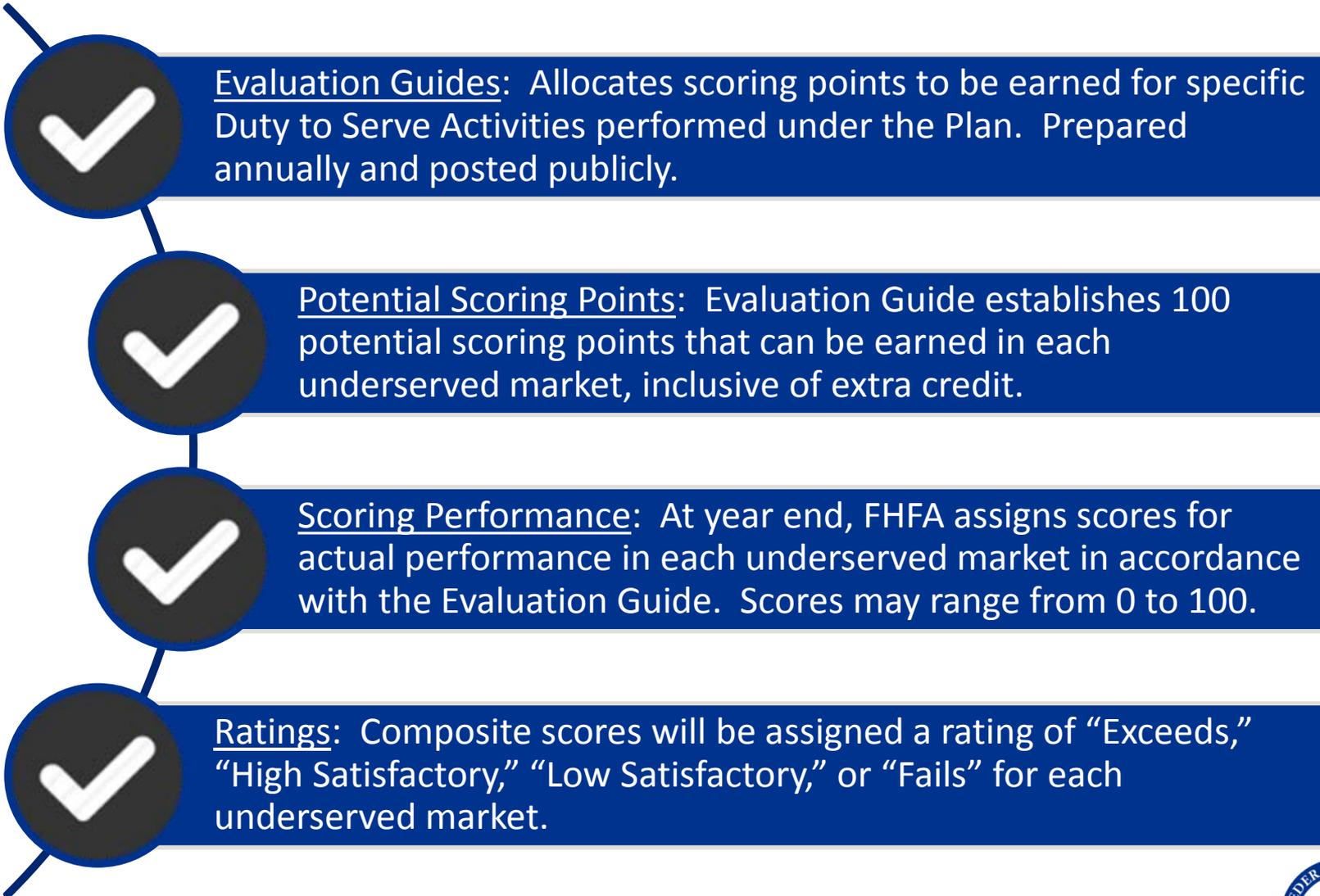
High-needs rural regions:

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



COMMENTS ON THE PROPOSED RULE



<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:

<https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Enterprise-Duty-to-Serve-Underserved-Markets-Proposed-Rule.aspx>

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QUESTION AREAS SUBMITTED BY NATIONAL COUNCIL OF STATE HOUSING AGENCIES

Credit for purchasing bonds issued by Housing Finance Agencies (HFAs)?

Credit only for tax exempt bonds or also taxable bonds?

Resuming purchases of Low-Income Housing Tax Credits (LIHTC)?

Designing Additional Activities to include an HFA?

QUESTION AREAS SUBMITTED BY VERMONT HOUSING FINANCE AGENCY

Proposals to work with HFA's?

Specific terms of small multifamily Core Activity?

Credit for purchasing bonds issued by HFA's?

Definition of "rural"?



D U T Y T O S E R V E

