

Duty to Serve Stakeholder Webinar

Monday, December 19, 2016

- Emily: Ladies and Gentlemen, welcome and thank you for joining today's Duty to Serve Final Rule. Before we begin, there are a few technical details we would like to share. Please note that all participant lines will be muted for the duration of this event. You are welcome to submit written questions and these will be addressed during Q&A. To send a note, please use the notes function on the lower right hand side of your screen and address your questions to all moderators using the dropdown box. In addition, you can adjust the presentation size on your screen by holding down control and using + or - to zoom in and out. If you require technical assistance, please send a note or call our help desk at 888-796-6118. With that, I'll turn the call over to Danielle Walton. Please go ahead.
- Danielle: Thanks, Emily. Good afternoon everyone. This is Danielle Walton with the Federal Housing Finance Agency. I want to welcome you all and thank you for taking the time to join us for this webinar. Last week, FHFA issued the Duty to Serve program Final Rule. Today's webinar, which is scheduled to last one hour, will provide an overview of the Final Rule and provide an opportunity for you to ask us questions you may have about the rule and the program's next steps. Joining me today are members of the Duty to Serve program team who will provide an overview of the rule and respond to questions we have received in advance. We will also leave time at the end to field additional questions, which you can type into the note section on the lower right of your screen. Once the webinar has concluded, we will make a recording of the webinar available in FHFA.gov/DTS and you can also reach out to us with additional questions or comments at dutytoserveholders@fhfa.gov. I would now like to turn things over to Duty to Serve project manager Jim Gray for a few opening remarks.
- Jim: Thank you, Danielle. Turning to the agenda slide, slide two, FHFA has issued Duty to Serve Final Rule to implement the requirements of the Housing and Economic Recovery Act of 2008, referred to here in this webinar as HERA. In today's webinar, we will first offer you a brief overview of what's in the final rule, emphasizing the changes made from last years proposed rule. Then we will describe a series of public listening sessions that FHFA has set up with Fannie Mae and Freddie Mac, the Federal Reserve Bank in Chicago and San Francisco and at FHFA headquarters in Washington D.C. seek ideas very soon from the public, including perhaps some of you on this call for how the enterprises could approach their Duty to Serve underserved markets plan. Then we will go over the timeline for the development of the enterprise's initial Duty to Serve plans. Finally, we will give you the opportunity to ask questions of the FHFA project team that developed this rule.
- Turning to slide three, what is the Duty to Serve? The Duty to Serve program is based on three specific underserved markets identified by Congress in HERA, manufactured housing, affordable housing preservation and rural housing. HERA requires Fannie Mae and Freddie Mac, which we refer to here as the enterprises, to increase the financing available to serve moderate income, low income and very low income families in each of these three underserved markets through outreach, loan product development, investments and loan purchases. FHFA is responsible for establishing a framework for how FHFA will annually evaluate and rate the enterprise's compliance with the Duty to Serve requirements for each underserved market. I will now turn it over to Matt Douglas

to describe the underserved market's plan framework that is integral to the Duty to Serve program. Matt?

Matt:

Thanks, Jim. Under the Final Rule, each enterprise is required to prepare an underserved markets plan that describes the activity the enterprise will undertake over a three year period to meet its Duty to Serve obligations. For each of the three underserved markets, the rule lays out the scope of activities that are eligible to be included in a plan. These activities are organized into three categories; statutory, regulatory and additional activities. The statutory activities are the nine affordable housing preservation programs specifically identified in HERA for the affordable housing preservation market. HERA did not include any comparable programs under either the manufactured housing or rural housing markets.

The regulatory activities are those categories of activities that FHFA has developed and included in the final rule. After taking into consideration the public comments received on the Duty to Serve proposal, there are four regulatory activities in the manufactured housing market, four regulatory activities in the rural housing market and seven regulatory activities in the affordable housing preservation market. In the following slides we will briefly describe each of these regulatory activities for each market.

While no specific statutory activity or regulatory activity is mandatory, an enterprise is required to consider a minimum number of statutory or regulatory activities in each underserved market, with the minimum number designated by FHFA and forthcoming evaluation guidance and explain in its plan why has he either included the activity in its plan or chose not to include the activity in its plan.

The third category of activities an enterprise can include in its underserved markets plan are additional activities. Additional activities are those that an enterprise independently proposes to include for an underserved market in its proposed plan. Subject to FHFA non-objection that they are eligible for that underserved market.

On the next slide, we will further discuss the underserved markets plans. Once an enterprise determines what types of activities it will propose in it's plan, statutory, regulatory and additional, it will need to identify in its plan specific measurable objectives that provide action items to how the enterprise will accomplish each activity and over what time period. For example, for the regulatory activities for energy efficiency improvements, an objective could be a loan purchase goal or collecting and sharing utility usage data. Each objective proposed must meet one of the four evaluation areas contained in the statute; outreach, loan products, loan purchase, for investments. If an enterprise plans to engage in activities that qualify for Duty to Serve extra credit, that must also be specified in its plan.

An enterprise may receive extra credit for activities that are particularly challenging or impactful in each underserved market, such as those that promote residential economic diversity, serve high needs rural populations or support manufactured housing communities with minimum tenant pad lease protections, as specified in the rule. FHFA will identify in the evaluation guidance the specific activities eligible for extra credit.

Next, we will summarize the statutory and regulatory activities for each of the underserved markets. Mike Price will lead this off with a summary of the regulatory activities for the manufactured housing market.

Mike: Turning to slide six, this gives an overview of the regulatory activities for the manufactured housing market. For this slide and some others, you can see red text, which shows what was added in the final rule but was not included in the proposed rule. An activity that was proposed but not included in the final rule is noted with a strike through it. As you can see, the final rule provides four regulatory activities enterprises could pursue for this market. Two are for single family loans and the other two are for blanket loans on manufactured housing communities. There are no statutory activities in the manufactured housing market. The first single family regulatory activity is for a pilot product supporting manufactured homes titles as personal property, also known as chattel. The proposed rule did not include this as a regulatory activity but specifically requested comment on whether it should be included in the final rule.

The proposed pilot to purchase manufactured chattel loans would require prior approval by FHFA. FHFA expects an enterprise would first conduct extensive research and development and a thorough vetting of its counterparties. FHFA also expects that a proposed pilot would include enhanced borrower protections and if the homes are cited on rural property, leases with basic tenant protections. Furthermore, FHFA will issue a request for input on chattel lending in January. You'll be entitled to provide your thoughts on this. We will publicize and post this on the dedicated page www.fhfa.gov/DTS.

The second single family regulatory activity is support for manufactured homes titles as real property. The commenters on the proposed rule identified several ways that the enterprises could better serve the needs in this market. For manufactured housing community blanket loans, the first regulatory activity is for support of communities owned by government entities or instrumentalities, nonprofits or residents. These types of communities tend to provide long-term affordable housing opportunities under reasonable terms and conditions. The second regulatory activity is for support of manufactured housing communities that have certain minimum tenant pad lease protections, such as the right for the tenants to sell their manufactured homes without first having to move them out of the community, which is very difficult and costly. Manufactured housing communities in states or localities with tenant pad lease protections equal to or greater than those specified in the rule also qualify under this regulatory activity.

Next, Matt Douglas will summarize the statutory and regulatory activities for the affordable housing preservation market.

Matt: Thanks, Mike. Slide seven provides an overview of the statutory and regulatory activities in the affordable housing preservation market. The first column of the slide shows the statutory enumerated activities that are included in HERA. Currently, Fannie Mae and Freddie Mac are most active in the HUD Section 8 rental assistance program and in supporting financing of projects that use federal low income tax credit debt. HERA however also includes certain other HUD subsidy programs, grant program and federal

housing administration insurance programs. Low income housing tax credit equity investments will be discussed separately on the next slide.

The second column of the slide shows the seven regulatory activities in the final rule. Two for single family properties and five for multi-family properties. The seven regulatory activities are first support for financing of small multi-family rental properties, specifically properties with five to 50 units that were financed by lenders with less than 10 billion dollars in assets. The second and third regulatory activities are for support for financing energy or water efficiency improvements on multi-family and single family properties. To be eligible, there must be projections made based on credible and generally accepted standards that the improvements financed by the loan will reduce energy or water consumption by at least 15%.

The fourth regulatory activity are those related to affordable home ownership preservation through shared equity programs. This activity is for support of HUD's Choice Neighborhood Initiative. The sixth activity is for supporting HUD's Rental Assistance Demonstration Program and the seventh activity are those that facilitate purchasing or rehabilitating homes eligible for a short sale, homes eligible for foreclosure sale or properties that lender acquires as a result of foreclosure. This regulatory activity was not in the proposed rule but was adopted in the final rule based on comments the agency received on the proposed rule. All of the other regulatory activities were in fact in the proposed rule, and with some modifications made in the final rule, the regulatory activities specific criteria based on comments received. I will now turn it over to Shiv Raul to talk about the rural housing market.

Shiv:

Thank you, Matt. The Duty to Serve final rule defines what rural area is for purposes of the rural housing market. There are two prongs to the definition of a rural area. A rural area is either a census tracked outside of a metropolitan statistical area, or MSA, as designated by the office of management and budget or a census tracked inside an MSA but outside of urbanized areas within the MSA. To identify tracks inside a MSA that are rural, the final rule's definition using the US Department of Agriculture's rural urban commuting area, or RUCA codes, which use measures of population density, daily commuting and urbanization to classify census tracks. Within a MSA, a census track must be outside of areas designated as RUCA code one and outside of tracks that are designated as RUCA code two with a housing density of over 64 housing units per square mile to be considered a rural area in the final rule.

As slide eight shows, this is a change from the proposed rule's definition of rural area. Like the proposed rule, census tracks outside of a MSA are considered rural in the final rule under the first prong of the definition. The final rule changes the second prong of the proposed rule's definition of rural areas in order to better target areas that are truly rural in character while also excluding areas that are suburban or exurban and already well served by the enterprises. I will now summarize the four regulatory activities in the rural housing market in the final rule.

There are no statutory activities for the rural housing market. The four regulatory activities are supporting housing in high needs rural regions, supporting housing for high needs rural populations, supporting financing by small financial institutions of rural

housing and supporting small multi-family rental property activity in rural areas. For the regulatory activity for supporting housing in high needs rural regions, the final rule identifies the following regions as high needs rural regions provided that they are located in a rural area: middle Appalachia, the lower Mississippi Delta, Colonias and rural tracks in persistent poverty counties that are not captured in the three regions just listed.

The final rule revises the proposed definition of Colonia by defining a Colonia as an identifiable community that meets the definition of Colonia under a federal state, tribal or local program. Rural tracks in persistent poverty counties were not included in the proposed rule. The final rule makes supporting housing for high needs rural populations a separate regulatory activity. It was combined with high needs rural regions in the proposed rule. The final rule defines high needs rural populations as members of a federally recognized Indian tribe located in an Indian area and agricultural workers, provided that they are located in a rural area. The final rule's inclusion of agricultural workers is broader in scope than the proposed rule's inclusion of migrant and seasonal agricultural workers.

The regulatory activity in the final rule for supporting financing by small financial institutions of rural housing was not included in the proposed rule. The regulatory activity in the final rule for supporting small multi-family properties in rural areas was also not included in the proposed rule. Small multi-family properties are defined as those with five to 50 units. These two new regulatory activities were added after receiving comments from the public on how the enterprises could help address barriers to rural lending and help build capacity among rural market participants.

Enterprise low income housing tax credit equity investment, specifically in rural areas, are eligible for Duty to Serve credit subject to approval by FHFA as conservator. FHFA may provide greater credit for LIHTC equity investments that serve high needs rural areas or populations, as specified in the evaluation guidance. This concludes our summary of the statutory and regulatory activities in each of the three Duty to Serve underserved markets. Next, I will turn it back to Matt Douglas to address the evaluation framework for the Duty to Serve program in the final rule.

Matt:

Thanks, Shiv. As Jim Gray mentioned earlier in the presentation, HERA required FHFA to annually evaluate and rate each enterprise's Duty to Serve compliance and to report its conclusions to Congress. FHFA's approach to evaluation in the final rule evolved from the proposed rule's approach. We'll go over the highlights. FHFA will issue a single evaluation guidance that will apply to both enterprises. This evaluation guidance will contain greater detail on the evaluation process. FHFA will first issue the evaluation guidance in proposed form within the next 30 days so that the enterprises will have it hand as they develop their underserved market's plans. We will also invite public input on the proposed evaluation guidance.

The overall approach for the evaluation is a three step process, which replaces the 100 point system that was in the proposed rule. In the first step, FHFA will review the extent to which the enterprise has achieved the objective it identified in its plan. This is a purely quantitative evaluation and will be used to determine whether the enterprise has

passed or failed its Duty to Serve responsibilities. In the second step, FHFA will evaluate the enterprise's performance under its plan from a qualitative perspective, assessing the extent to which the objective achieved meaningful impact and were implemented skillfully.

In the third step, FHFA will evaluate the enterprise's performance of extra credit eligible activities from a qualitative perspective, assessing the extent to which the object achieved meaningful impact and were implemented skillfully. After taking into consideration the quantitative and qualitative steps and factoring in extra credit if earned, FHFA will assign one of five ratings to each underserved market in a plan. Exceeds, high satisfactory, low satisfactory, minimally passing or failed.

The evaluation guidance will provide additional explanations on the plan expectations, how each of the steps will be conducted and how the final rating will be assigned to each underserved market. Now I'll turn it back over to Shiv Raul who will discuss the planning timeline for the underserved markets plans and evaluation guidance.

Shiv : Thanks, Matt. As you can see from the planning timeline, there are a number of important upcoming dates all leading up to the enterprise's underserved markets plans becoming effective, which we expect to be by January 1, 2018. Next month, FHFA will publish a proposed evaluation guidance, which will be available for public input for 120 days. In the first part of April, we expect that each enterprise will submit its draft underserved markets plan to FHFA. The draft plans will be posted on FHFA's website, www.fhfa.gov/DTS, for public input for 60 days. During August, FHFA will issue evaluation guidance revised as appropriate. FHFA will also provide the enterprises will feedback on their draft underserved markets plans.

The enterprises will then have time to make any revisions to their underserved markets plans based on the public input and the feedback from FHFA. By December 1st, FHFA expects to issue non-objections to the plan content for each underserved market and the enterprise's underserved markets plans. In January 2018, the enterprise's underserved markets plans are expected to become effective. In addition to these major milestones, at a time to be determined, FHFA will issue a request for input on what each enterprise might consider including in a potential manufactured homes chattel pilot program if it were to include such a pilot in its draft plan.

I will now turn it over to Danielle Walton to discuss the public listening session that FHFA, Fannie Mae and Freddie Mac are hosting.

Danielle: Thanks, Shiv. As mentioned earlier under the final rule, the enterprises will develop underserved market plans that will describe how each enterprise will achieve its Duty to Serve responsibilities. Many of you have already provided valuable feedback on the proposed rule and your continued engagement is welcome as the enterprise plans are drafted. FHFA and the enterprises are co-hosting public listening sessions in three locations across the country so that we can capture a wide range of input on what you would like to see included in the enterprise's draft plans. You can see the dates and locations of these meetings on the screen. January 25th in Chicago, February 1st in San Francisco and February 8th in Washington D.C. We will also host one session via webinar

on February 9th for those unable to travel to one of the three locations. Registration is now open for these sessions on our website fhfa.gov/DTS. We invite all stakeholders to register to attend one of the sessions.

Stakeholders may also request to make brief remarks at one of the sessions on one of the three underserved markets in the Duty to Serve program. Each request to attend and present will be reviewed by FHFA and the enterprises to ensure fairness and broad representation before attendees and presenters are confirmed. I'll now turn it over to Nina Griffith who will discuss the new Duty to Serve webpage.

Nina: Thank you, Danielle. The Duty to Serve webpage, www.fhfa.gov/DTS is the primary way FHFA will communicate with and receive feedback from the public on the Duty to Serve program. The webpage includes an overview of the program, announcements of upcoming events and activities, a link to data and tools for the world housing market and a link the final Duty to Serve rule and other public materials. When we release requests for input, this webpage will be the place where you can provide input on select program components like the evaluation guidance and the enterprises underserved markets plans. You can also provide general feedback on the program at any time. You can learn about the FHFA Duty to Serve experts who oversee the program on the webpage as well.

Jim Gray will now talk about how to communicate with us via email.

Jim: Thank you, Nina. Initially, we expect a lot of inquiries on the Duty to Serve program. We are very interested in your feedback and will make our best effort to respond to your questions in a timely fashion. We appreciate your interest in the Duty to Serve program and next we will entertain your questions on the Duty to Serve program, starting with some of the questions that were submitted in advance. If you did not submit a question in advance, you can submit a question now and I will turn it back over to the moderator to please repeat the instructions for submitting a question.

Evenly: Once again, if you'd like to ask a question, you can use the notes tab on the lower right hand side of your screen and address your questions to all moderators using the dropdown box.

Jim: Okay. We did receive some questions in advance that we're going to start with. The first question asks FHFA about some of the specifics of the chattel loan purchase. In fact, this was an amalgamation of several questions asking about issues such as required credit standards, services procedures, treatment of deficiencies, requirements for placing homes in communities or on borrower's land and loan seller qualifications. I'm going to ask Mike to give our general answer to these questions about chattel lending.

Mike: All right thanks, Jim. The short answer is that the rule doesn't contain these kind of specifics. Instead, we expect the enterprises to conduct significant research and development prior to engaging in any chattel loan purchases. Their research and their development would be informed by several things. First, FHFA's upcoming request for input on chattel loans. Second, during the presentation it was mentioned that we will be

holding public listening sessions in San Francisco, Chicago and Washington. Third, there's a process for receiving public input on the underserved markets plans and the evaluation guidance. Of course, beyond all that, we expect the enterprises to be working directly with their potential counterparties to develop these kinds of specificities around the origination and services of chattel loans.

Jim: Mike, another question that we got was what does FHFA expect for the success level of a chattel program if there were to be one?

Mike: All right. FHFA would look to see that the loans have reasonable terms and conditions and we want to make sure that they in fact are beneficial to the very low and moderate income families targeting for support by the Duty to Serve. Any chattel program of the enterprises must be safe and sound. It must not be a money loser, but in concordance with their charter acts, it could generate a lower profit level than the enterprises would expect from their other product lines.

Jim: Okay, thank you. Now I'm going to turn to Matt Douglas to answer the next question. Matt, a question that we received was that the press release that we issued on the Duty to Serve final rule says that the final rule sets forth specific activities that the enterprises may consider undertaking at their discretion to receive Duty to Serve credit and provide that the enterprises may propose additional activities. The final rule does not mandate any particular activities but requires the enterprises to consider ways to better serve families in the three underserved markets. The questioner asks can you confirm that since the rule does not mandate any particular activity does not mean that the enterprises can do whatever they please but that the plans and their evaluation should take into account the thresholds of things they need to do to meet the Duty to Serve requirements?

Matt: Sure. We can confirm that the final rule doesn't mandate that the enterprises must engage in any specific activities as part of their plan. The rule doesn't require the enterprises to engage in any new business initiatives; however, although no specific statutory activity or regulatory activity is mandatory, an enterprise will be required to consider a minimum number of statutory or regulatory activities over the three year plan period in each market. To consider an activity, an enterprise must either choose to undertake the activity and explain why it purposes to undertake the activity or to explain why it has chosen not to undertake the activity. If an enterprise fails to adequately consider the minimum number of statutory or regulatory activities, that could in fact be grounds for objecting to their plans.

Jim: Okay. Matt, another question that we got about the process was asking us to please walk through the evaluation process and asking whether the scores will be made public. Also to describe corrective actions the enterprises must take in the event they "fail."

Matt: Okay. We went over this on a previous slide but it's worth reiterating. All three markets will be evaluated individually and on an annual basis. To evaluate an enterprise's performance under its plan, FHFA will use a three step process. In step one, FHFA will calculate the extent to which the enterprise has achieved the objectives identified in his plan. Step two, FHFA will evaluate the enterprise's performance under the plan from a

qualitative perspective, assessing the extent to which the enterprise's had set and achieved meaningful and impactful objectives for the underserved markets and skillfully implemented the plan's activities through those objectives. In step three, FHFA will award extra credit for successful and impactful efforts by the enterprise to promote residential economic diversity and other challenging activities potentially including a chattel pilot and ongoing initiatives or serving high need rural populations. The evaluation results for all three markets will be sent to Congress and released to the public. If an evaluation determines that an enterprise has failed its duty to serve obligations, that enterprise may be forced to do a corrective housing plan.

Jim: Thanks, Matt. Mike Price, a question for you. Does this final rule establish loan purchase quotas for Fannie Mae and Freddie Mac?

Mike: No, it does not. Congress specifically prohibited loan purchase quotas in the Duty to Serve statute. We followed that direction from Congress in the final rule. One point for clarification for a pilot initiative under the Duty to Serve, such as for manufactured home chattel loans, we would put a cap on the loan purchase volumes.

Jim: Okay. Thank you, Mike. I'm going to take a crack at this next question, which was how does the Duty to Serve rule interplay with the housing goals rule for the enterprises? Our answer is that the housing goals and the Duty to Serve requirements for the enterprises are two separate statutory requirements established in HERA that are part of Fannie Mae and Freddie Mac's public purpose mission. Both the housing goals and the duty to serve requirements have the objective of facilitating a secondary market for mortgages on properties that serve lower income families. These requirements are established in different ways under the two statutes. Under HERA, FHFA sets specific and numeric loan purchase or unit goal targets for the housing goals for the enterprise's loan purchases in supporting mortgages on housing that is affordable to very low and low income families.

In contrast, the Duty to Serve statute, rather than just looking at loan purchases, specifies four major stages of the overall mortgage lending process that are considered. We've been over these already but I'll go over them again. They are the four evaluation factors. Number one, outreach. Number two, loan product changes. Number three, investments. Fourth and finally, loan purchases. While the goals are a broad measure of mission performance across all markets, in contrast, Duty to Serve goes more deeply in a few underserved markets.

One other question that we received in advance is what is FHFA's thinking on the enterprises engaging in "new business" under the Duty to Serve in view of their current capital status? Our answer is as with all activities undertaken by the enterprises, safety and soundness of enterprise activity to meet their Duty to Serve requirements is a priority for FHFA. The final rule includes several provisions that facilitate FHFA oversight, including assessments of safety and soundness of enterprise Duty to Serve activity. FHFA will consider safety and soundness as we review proposed activities in the underserved markets plan. FHFA will also engage in ongoing oversight monitoring an analysis of Duty to Serve activities. If at any time FHFA believes the a Duty to Serve activity poses a risk to the safety or soundness of an enterprise, FHFA will require the enterprise to modify

or stop the activity and make appropriate modifications to its underserved markets plan.

Additionally, any new product that an enterprise proposes to undertake through its underserved markets plan, such as purchasing manufactured home chattel loans, must be reviewed under the "new products" procedures that require public notice and comment for proposed new products and a determination on the safety and soundness of that new product.

All right. Next I'm going to turn to Shiv Raul for questions about low income housing tax credits. The question was has FHFA permitted Fannie Mae and Freddie Mac to resume investing in low income tax credits, and if so, how will they be allowed to do that? Shiv?

Shiv : Thanks, Jim. The rule does not specifically authorize Fannie Mae and Freddie Mac to resume investing in low income housing tax credits. Whether to permit that is decision for FHFA as conservator. What the rule does provide is that if FHFA as conservator were to authorize low income housing tax credit equity investment, then the enterprises could receive Duty to Serve credit for those investments that are specifically in rural areas. The final rule specifically designates rural areas due to the lower share of low income tax credits that are invested in rural areas and also due to the less advantageous pricing that low income housing tax credits in rural areas may command. Also, given the increased difficulty that high needs rural regions and high needs rural populations might face in attracting low income housing tax credit equity investors, FHFA may also provide greater Duty to Serve credit for those low income housing tax credit equity investments that specifically serve those high needs rural regions and high needs rural populations. That would be specified though evaluation guidance.

Jim: One thing to your answer, which is that the Duty to Serve rule does not create any new authority for Fannie Mae or Freddie Mac to do anything that they are not otherwise permitted to do. All the Duty to Serve rule addresses is among the things they are authorized to do, whether they would receive credit for the Duty to Serve or not, if performed adequately.

Turning to another question for Matt. Matt, we were asked can the enterprises update their underserved markets plan?

Matt: This one has the straight forward answer of yes. FHFA will allow the enterprises to adjust their plans annually, subject to a FHFA non-objection to the purposed modification. Foreseeable example is that an enterprise might request to adjust a numeric target for certain objectives in its plan for the subsequent year given the accomplishment of certain tasks or lessons learned during the evaluation year. FHFA may also require an enterprise to modify its plan during the three year term. Instances in which FHFA might require a modification includes significant changes in market conditions, including either obstacles or opportunities, or if there was a significant safety and soundness concern arising during the three year term of the plan.

Jim: All right. Another question for Shiv, does the final rule interpret the word preservation to include certain kinds of new construction, and if so, which kinds of new construction would be eligible for Duty to Serve credit in the affordable housing preservation market?

Matt: Sure. Thanks, Jim. The final rule includes activities specifically that support certain kinds of permanent construction take out loans as eligible for duty to serve credit under the affordable housing preservation market. Permanent construction takeout loan is a long-term mortgage that replaces a short term construction loan for a new property. The two kinds of permanent construction take out loans that are eligible for credit are those specifically for replacement properties that preserve existing subsidies on affordable housing for a regulatory period of required affordability. Also, those specifically for housing that maybe have been developed under certain state or local programs where the property owner has agreed to restrict a portion of the units for very low, low and moderate income families at affordable rates or where that property is for a shared equity program that meets the requirements we've specified in the final rule.

Jim: Okay. All right, a question for Mike. What opportunity will the manufactured housing industry have to comment and suggest regarding chattel programs prior to guidelines being established?

Mike: Okay. All the stakeholders will have abundant opportunities to provide input. First, the agency is going to publish a request for input that will solicit additional information on chattel lending. With this, folks, when you provide your responses, the more specific you can be in your responses and what your proposals would be, the more helpful that information would be. In addition, we've mentioned elsewhere that FHFA will host three in person listening sessions. One will be in San Francisco, one will be in Chicago and one will be in Washington. This will cover not only manufactured housing but the other two Duty to Serve markets. In these public listening sessions, we're going to accommodate as many participants as we can. In addition to these in person listening sessions, we're going to have an electronic meeting where everybody can participate.

Now, aside from these formal events, we encourage you to be proactive and engaged with the enterprises directly with your thoughts on how the enterprises could better serve the low, very low and moderate income families in the manufactured housing market, and of course, the more specific you can be and the more data that you can provide in support of your recommendations, the more helpful that will be.

Jim: Okay. We now exhausted most of the questions that we received in advance, at least the ones that we have time for. We're now trying to answer a few of the questions that you submitted during the webinar. I'm going to turn this first one to Matt Douglas. Matt, we were asked for the energy efficiency goals, will this take into account the issue of first lead priority as opposed to paced loans?

Matt: Sure. On the single family energy efficient activity, the activity does actually have to be for a first lead. At least as currently constructed, a paced loan would not be eligible for credit for Duty to Serve.

Jim: Another question for you, Matt, on a different topic. Will the evaluation of the enterprises on the Duty to Serve include enterprise efforts to partner with private sector partners in meeting their Duty to Serve obligations.

Matt: Yeah. One of the ways to get Duty to Serve credit is through one of the evaluation areas is for outreach activities. That specifically encourages the enterprises to partner with organizations to work on whatever topic they're on. One of the things that will be encouraged there is working with a diversity of stakeholders of different sizes and geographies. That's definitely one of the ways to earn credit.

Jim: One other related question, Matt. Is a passing rating in all three underserved markets required for the enterprises to be considered in compliance with their Duty to Serve?

Matt: As we've kind of gone through, each market is rated and assessed individually and so compliance on their Duty to Serve statutory obligations will occur for each market. If I understood the question correctly, the answer is yes, that they would have to pass each market in order to be in compliance with their statutory obligations.

Jim: Okay. I'm going to switch to a question for Shiv on low income housing tax credits. We've talked primarily about the Duty to Serve requirements for low income housing tax credits. This questioner is asking for more details on FHFA's process for determining whether the enterprises are authorized to make low income housing tax credit equity investments.

Shiv : Sure. Thanks, Jim. I'll take a stab at that, and Mike Price, if you need to chime in, please feel free to do so. As we mentioned in the slide presentation, the final Duty to Serve rule only explains what would be eligible for Duty to Serve credit if that activity is permissible under FHFA's current policies and procedures. If an enterprise were to propose an underserved markets plan activities for LIHTC equity investment, then FHFA as conservator would go through a process to determine whether it's approved that activity or not. In the future, if FHFA does authorize certain LIHTC equity investments by the enterprises, then the final rule explains which of those investments would be eligible for credit under the Duty to Serve program. As the final rule explains, only those LIHTC equity investments that are in rural areas would be eligible for credit under the Duty to Serve program. We will be issuing evaluation guidance in the next year and FHFA may decide to provide greater Duty to Serve credit for those LIHTC equity investments if FHFA decides they are permissible that serve high need rural regions and rural populations specifically.

Jim: Okay. This is another question for Matt. If the enterprises are relieved from conservatorship under the incoming Administration does the Duty to Serve still apply?

Matt: Sure. One of the goals the agency has in putting out this rule was to ensure that this regulation, this final rule, would apply whether the enterprises remain in conservatorship or don't. It is FHFA's position that we are acting as regulator here and that the Duty to Serve final rule will apply outside of conservatorship.

Jim: Okay. I believe that we've just about exhausted the time for questions. We appreciate the many thoughtful questions. I'm sorry that we weren't able to get to every single one of them. We do invite you to follow up with us offline and we will try to answer your questions after the fact. Also, this webinar will be recorded and I believe I will turn it over to Danielle Walton to close out the webinar. Thank you all.

Danielle: Thanks so much, Jim. I just wanted to thank everyone again for attending today's webinar and for your questions. As Jim said, the recording of this webinar will be posted soon on our website. That address again is fhfa.gov/DTS. Please encourage interested parties who are not able to watch the webinar today to view the webinar recording on our website. Again, if you have further questions or comments, please contact us at our email address dutytoserveholders@fhfa.gov. This concludes our webinar on the Duty to Serve program. Have a great rest of your afternoon.

Emily: Thank you to our speakers and thank you in our audience for joining us today. This concludes our program. You may now disconnect.