NEW YORK HOUSING CONFERENCE

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Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20219

Re: Enterprise Duty to Serve Underserved Markets Amendments Proposed Rule (RIN 2590–AB64)

New York Housing Conference (NYHC) appreciates the opportunity to comment on the Enterprise Duty to Serve (DTS) Underserved Markets Amendments (RIN 2590-AB64). NYHC is a nonprofit affordable housing policy and advocacy organization that works to advance policies to support decent affordable housing for all New Yorkers. We are a broad-based coalition comprised of a balanced mix of nonprofit and private developers, owners, managers, professionals, and funders of affordable housing.

The U.S. Federal Housing Finance Agency's regulations implement the statutory requirement that the Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac serve very low-, low-, and moderate-income families in traditionally underserved markets including manufactured housing, affordable housing preservation, and rural areas. DTS is a vital tool that directs billions of dollars of investments to housing low-income Americans in communities that face unique financing barriers. We write to express several points in response to the proposed ruling:

1. The FHFA should retain the current activities framework.
2. The FHFA should retain a thorough planning process, including a 60-day public comment period.
3. The FHFA should retain the current area median income (AMI) except in areas of deep poverty.
4. The FHFA should provide DTS credit for LIHTC investment in all markets.

The FHFA should retain the current activities framework to ensure GSE investment doesn't drift towards higher income, easier to serve markets.

The FHFA has proposed eliminating all eligible activities, including statutory activities and the requirement to consider minimum number of activities to instead allow the GSEs to propose their own activities that meet the DTS requirement. NYHC strongly opposes this change. While we understand the need for flexibility and support efforts to encourage innovation, we know from history that these markets are overlooked when there is no statutory requirement to serve them. In fact, these requirements have driven the Enterprises to develop innovative products for challenging parts of the market like manufactured homes, shared equity homeownership and small multifamily buildings in rural areas.

This change would be especially detrimental to high-needs rural populations, including Native Americans and agricultural workers – which are currently required to be served as regulatory activities. FHFA argues that this would allow the Enterprises to serve low-income rural communities across the board. However, this argument erases the unique challenges faced by these populations that warranted their designation as high-need in the first place. These areas have more complex transactions, smaller loan volumes and often fall outside of Community Reinvestment Act (CRA) assessment areas that could help incentivize investment.

Further, the current list of activities has consensus among stakeholders after input from practitioners and experts in these underserved markets across administrations. It also provides clear and consistent metrics that are necessary for program evaluation and accountability and transparent for financial institutions.

The FHFA should retain a thorough planning process, including a 60-day public comment period.

Addressing the diverse needs of underserved markets is complex and requires deep expertise, NYHC strongly urges the FHFA to maintain the 60-day public comment period.

The FHFA should retain the current area median income (AMI) except in areas of deep poverty.

NYHC also strongly opposes the proposal to change the area median income methodology for metro areas to use the highest value of the AMI for the metro area, the state median income including metros, or the national median income including metros. We also oppose the proposed change for nonmetro areas to use the highest value of the county median income, the state nonmetro median income, and the national nonmetro median income.

We understand that the current methodology can cause unintended consequences in areas with persistent poverty by artificially locking out genuinely low-income families due to much lower AMI thresholds. However, this does not justify changing methodology for all areas of the country. Proposed changes would allow the Enterprises to shift their DTS business to higher-income borrowers and renters and allow apartments with higher rents to qualify for credit towards affordable housing goals. Analysis of the proposed change from Urban Institute found that AMIs would increase in metro areas by almost $15,000 on average and almost $7,000 on average in nonmetro areas.

The FHFA should provide DTS credit for LIHTC investment in all markets.

NYHC strongly supports providing DTS credit for Enterprise LIHTC investments in affordable housing preservation in all markets where it is currently restricted to just rural markets. To be clear, FHFA should still maintain the list of activities that require LIHTC investment in rural markets to ensure the Enterprises continue serving those areas. As stated above, rural areas face many financing challenges and fall outside CRA investment areas, which are a major driver of LIHTC equity. LIHTC investment from the Enterprises help level the playing field and are critical to making many projects feasible. Between the historic expansion of LIHTC in the One Big Beautiful Bill and the increase of the Enterprises' annual LIHTC investment cap to $2 billion, we believe there is capacity to serve all underserved markets.

Thank you for the opportunity to comment.

Sincerely,

Rachel Fee
Executive Director
New York Housing Conference