Thank you for this opportunity to comment on the request by Fannie Mae to amend its 2023 Duty to Serve Plan to modify the Low-Income Housing Tax Credit (“Housing Credit”) investment objective in the rural housing market for the 2023 Plan year. As a mission-driven nonprofit Housing Tax Credit syndicator, Evernorth uses the Housing Credit program to raise capital from investors for impactful affordable housing projects, in our rural markets in New Hampshire, Maine and Vermont. Over 35 years Evernorth has raised and deployed $1.2B in tax credit equity to finance more than 16,000 homes in our 3 state footprint.

The FHFA Duty to Serve regulation charges the Enterprises with taking steps to bring capital to underserved markets, including rural multifamily housing. It’s well established that multi-investor funds are a critical tool for reaching rural markets.

Projects in rural areas tend to be much smaller than typical housing credit transactions and multi-investor funds create efficiencies for investors by reducing the time and cost of origination and underwriting. In other markets the alternative tool to multi-investor funds is proprietary funds or direct investments – the case where the GSEs would be the sole investor. Most proprietary funds require minimum deal sizes to justify the expense and time expended to perform the underwriting. Such requirements or preferences severely limit rural communities' access to the tax credit market. The total capital Evernorth raised in our two most recent multi-investor funds was $136M which was invested in 28 transactions for an average investment of $4.9M.

In addition, rural areas remain at a disadvantage due to a lack of investor demand driven by financial institutions’ Community Reinvestment Act (CRA) obligations. CRA responsibilities for financial institutions drive the vast majority of investment and lending to Housing Credits properties. However, rural communities often fall out of financial institutions’ CRA assessment areas, leading to lower equity pricing that further compounds the gaps faced by rural communities.

This leaves Fannie and Freddie, which also have affirmative Duty to Serve obligations, to reach rural markets. **FHFA should embrace the multi-investor platform as a tool to reach rural markets and do all it can to assure the GSEs increase, rather than decrease, their commitment to providing LIHTC equity to rural America.**

We have been working for months to urge the Treasury Department to issue guidance that the Enterprises are not Tax-Exempt Controlled Entities. As this issue has remained outstanding, we are not surprised by the decision of Fannie Mae to modify its LIHTC investment objectives.

Without Fannie Mae’s investment, the size of the investment funds that we raise will be smaller, and the number of properties that we finance in rural areas will decline. Further, since Housing Credit equity leverages other capital, we are looking at a reduction in support for affordable housing of more than $30 million annually if Fannie Mae can no longer invest in our multi-investor funds.

Below we provide answers to your specific questions.

1. **What is the proposed modification’s potential impact on the rural LIHTC investments objective in the Plan and on the rural housing market as a whole?**

If Fannie Mae decides to no longer invest in multi-investor funds, such as through Evernorth, it will have cascading effects that reduce Evernorth’ s ability to fund new LIHTC investments. Fannie Mae accounts for about 17% of the annual investment dollars raised by Evernorth in recent years in multi-investor funds, so that share of annual tax credit equity raised would be lost. If Fannie Mae is 17% of a $75 million fund ($12.75M), their withdrawal will bring the fund down to $62.25 million and investors with a 20% share limit will reduce their investment from $15 million (20% of $75 million) to $12.45 million (20% of $62.25 million). As such, the impact of Fannie’s lost equity is compounded by the reduction in corresponding investments with several other major investors. Fannie’s investment is critical to our ability to leverage investments from other investors. Since Housing Credit equity leverages other capital, we are looking at a reduction in support for affordable housing of more than $30 million annually if Fannie Mae can no longer invest in our multi-investor funds.

Evernorth is working with developers in smaller markets likes St Johnsbury Vermont, Rumford Maine, and New London, NH. These developers face difficulty securing tax credit equity from a direct or proprietary fund due to their size, rural market, lack of debt capacity, guarantor strength and under-banked CRA profile.

1. **What market conditions should FHFA consider related to the proposed modification?** As FHFA well knows, this nation faces severe shortages of affordable housing, including in rural areas. The agency has artfully structured the Duty to Serve rules to enable the Enterprises to address rural affordable housing needs. The particular impact of the requested modification – made necessary by uncertainty around the Tax-Exempt Controlled Entity issue – will be to make it more difficult to finance small rural developments which are not financially feasible through proprietary investment structures.
2. **What additional information might be helpful in evaluating the proposed modification?** We believe the impact of the Tax-Exempt Controlled Entity issue is broader than Fannie Mae. There is interest within the Housing Credit industry in raising the annual Enterprise Housing Credit investment cap above $850 million. This issue has become more important in light of the turmoil among regional banks and the further consolidation of banking organizations. Given the withdrawal from the multi-investor market, we question the ability of the Enterprises to meet a higher investment cap while maintaining robust Duty to Serve commitments.
3. **Is the proposed modification appropriate based on the information and justifications provided by Fannie Mae? If not, why not?** Regrettably, we believe the proposed modification is appropriate due to the TECE issue. The modification should be temporary, and the higher targets automatically reinstated should the TECE resolve in favor of the GSEs.
4. **Is there any other feedback on the proposed Plan, as modified, that FHFA should consider?** We urge FHFA to continue to push the Department of the Treasury to issue guidance on this issue and to brief Congress on the deleterious impact this uncertainty is having on rural affordable housing development.