



Marcea Barringer, Supervisory Policy Analyst
Duty to Serve 2023 RFI
Federal Housing Finance Agency, Eighth Floor
400 Seventh Street, SW
Washington, DC 20219

Via DTS webpage: <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/Duty-to-Serve.aspx>

July 21, 2023

Re: Fannie Mae's Proposed Modification to the Rural LIHTC Investments Objective for 2023 in its Duty to Serve Plan

To whom it may concern:

I write on behalf of the Minnesota Housing Partnership (MHP) to raise concerns about Fannie Mae's proposed modification to the rural LIHTC Investments Objective for 2023 in its Duty to Serve Plan, reducing its target for its 2023 Plan year from 70 rural LIHTC investments to 20-40 rural LIHTC investments.

Specifically, we urge Fannie Mae to request that the U.S. Department of the Treasury provide written guidance clarifying that the Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, are not Tax-Exempt Controlled Entities (TECE) under Section 168(h)(6)(F)(I) of the Internal Revenue Code. Receiving guidance from Treasury is essential to clarify the tax status of GSE's, to ensure no further delay or reduction from GSE's statutory Duty to Serve requirement in underserved rural areas.

Minnesota Housing Partnership (MHP)

MHP is a non-profit organization that advocates for equitable housing policy, produces data informed research to inform solutions, and delivers community development services across the United States. While our organization is based in Minnesota, we provide direct technical assistance across the country, specializing in serving rural communities and Native Nations (see map below). We have provided services through H.U.D.'s Rural Capacity Building program and U.S.D.A.'s Rural Community Development Institute (RCDI), as well as U.S.D.A.'s 515 Technical Assistance program. We have developed unique programs to support community capacity building goals in rural areas including our Housing Institute, Native Community Development Institute, and Emerging Developer Initiative. In the past year alone, we have provided direct technical assistance to forty-three rural communities including fifteen Native Nations, supporting the production and preservation of 380 housing units.

Value of rural LIHTC Investments

Rural communities are experiencing a housing affordability crisis. In Greater Minnesota (the geography outside of the seven-county Twin Cities metropolitan area), 24% of households are cost burdened, or paying more than 30% of their monthly income on housing costs, a number that increases to 41% for rural renter households. Two-thirds of renter households in Greater Minnesota earn less than \$50,000 a year, which is under 50% of the state's area median income.



In Minnesota, rural residents have fewer housing options and are more likely to live in substandard housing than their urban peers, due to older housing stock, and less compliance and enforcement of codes. More than 40% of homes in Greater Minnesota are over fifty years old, built prior to 1970. New construction permits remain low in many rural areas, with some communities going years without a new multifamily housing project.

Rural communities face many unique challenges to housing development, let alone affordable housing development. Projects are often smaller, such that is more common for them to be funded through multi-investor funds. As in urban areas, construction costs and inflation conflate existing value gap challenges.

In sum, Fannie Mae's Duty to Serve goal of rural LIHTC investments is critical to ensuring a full range of housing options continue to be available in rural communities. Housing that is affordable is part of a vibrant and diverse community and economy, important to the continued vitality of many rural areas the residents that live there.

Thank you again for the opportunity to comment on Fannie Mae's proposed modification to the rural LIHTC Investments Objective for 2023 in its Duty to Serve Plan, which would reduce its target from 70 to 20-40 rural LIHTC investments. We strongly urge Fannie Mae to request Treasury to provide written guidance clarifying that GSEs are not TECE's under Section 168(h)(6)(F)(I) of the Internal Revenue Code, providing clarity that allows Fannie Mae to best fulfill its Duty to Serve obligation

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Glidden", written over a light blue horizontal line.

Elizabeth Glidden
Deputy Executive Director



MHP Technical Assistance Locations, 2009 to 2020

