



REQUEST FOR INPUT ON FANNIE MAE AND FREDDIE MAC 2022 DUTY TO SERVE PLAN MODIFICATIONS

October 2022



Division of Housing Mission and Goals

Table of Contents

Table of Contents..... i

Introduction 2

Background 2

Overview of Modification Process..... 3

Input Questions on the Proposed Modifications to 2022 Plan Objectives 4

 A. Proposed Modifications to Fannie Mae’s Plan for 2022 5

 B. Proposed Modifications to Freddie Mac’s Plan for 2022 6

Public Input Instructions..... 6



Introduction

The Federal Housing Finance Agency (FHFA) requests public input on proposed modifications by Fannie Mae and Freddie Mac (the Enterprises) to objectives in their 2022-2024 Duty to Serve (DTS) Underserved Markets Plans (Plans).

Background

The Housing and Economic Recovery Act of 2008 amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 to establish a duty for the Enterprises to serve three specified underserved markets—manufactured housing, affordable housing preservation, and rural housing—by increasing the liquidity of mortgage investments and improving the distribution of investment capital available to facilitate a secondary market for residential financing for very low-, low-, and moderate-income families in those underserved markets.¹

FHFA’s DTS regulation, which implements the statutory provisions, requires the Enterprises to prepare Plans detailing the specific objectives and activities they plan to implement to fulfill the DTS mandate.² The Enterprises’ 2022-2024 Plans went into effect on January 1, 2022. The DTS regulation allows an Enterprise to request to modify its Plan at any time, and FHFA and the Enterprises may seek public input on the proposed modifications if FHFA determines that public input would assist its consideration of the proposed modifications.³ FHFA must provide a Non-Objection to a proposed modification for it to become part of a Plan.⁴

This request seeks public input on certain modifications to Plan objectives proposed by the Enterprises where FHFA has determined that such input would assist FHFA in considering the proposed modifications. The Plan modification review process established pursuant to Chapter 1 of FHFA’s DTS Evaluation Guidance is described below. The review process is intended to enable the Enterprises and FHFA to apply lessons learned and improve the Plans in an expeditious manner, while also providing transparency to the public about substantial changes to the Plans.

¹ 12 U.S.C. 4565.

² 12 CFR 1282.32.

³ 12 CFR 1282.32(h).

⁴ *Id.*



Overview of Modification Process

As the Enterprises continue to implement the DTS program, FHFA has found that it is a best practice for the Enterprises to assess their Plans and propose modifications to those Plans, where appropriate, on an annual basis. While modifications are allowed under FHFA’s regulation and Evaluation Guidance, they are not a required part of the DTS process.

A proposed Plan modification should include a sufficient basis and explanation for why the modification is appropriate. FHFA has advised the Enterprises to use a “Plan Modification Request” form to request and justify a proposed modification.

The standards for FHFA’s Non-Objection determination for the 2022 modifications are as follows:⁵

1. The concept score for each objective in the underserved market over the three-year period of the Plan is 30 or higher; and
2. The modified underserved market section of the Plan must continue to include at least the required number of activities that include at least one loan purchase objective applicable to the specific year of the Plan for that market.

The DTS regulation provides that proposed modifications will be subject to public input “if FHFA determines that public input would assist its consideration of the proposed modifications.”⁶ FHFA has discretion to determine which proposed modifications will be subject to public input.

To help the Enterprises and the public understand how FHFA uses its discretion in deciding when to seek public input on modification requests, FHFA has identified the following examples of modification requests for which FHFA is more likely to seek public input:

- Reducing a quantitative target by 40 percent or more, especially when that reduction is not accompanied by a change in the historical baseline for that action; and
- Eliminating an objective entirely.

FHFA has identified the following examples of modification requests for which FHFA is not likely to seek public input:

- Changing a historical baseline or numerically measurable target due to a miscalculation – in light of the wide variety of activities in the Plans, it is conceivable that the Enterprises

⁵ See Evaluation Guidance 2022-5.

⁶ 12 CFR 1282.32(h).



Request for Input on Fannie Mae and Freddie Mac Duty to Serve Plan Modifications

and FHFA may disagree about how to conceptualize or count certain metrics, such as the number of units eligible for DTS credit under a certain activity. As FHFA and the Enterprises reconcile these discrepancies, an Enterprise may need to change its baseline or target accordingly; and

- Modifying the measurable quantity of an objective by a modest amount, which FHFA deems to be an increase or decrease of less than 10 percent.

FHFA expects to issue Non-Objections to the Enterprises' proposed modifications, where appropriate, after considering the public input received on this request for input, by December 31, 2022. Upon the issuance of a Non-Objection, FHFA intends to publish the following documents on FHFA's public website, with any confidential and proprietary information omitted:

- The complete modified Plans the Enterprises submitted that received a Non-Objection from FHFA;
- Redlined versions of the portions of the modified Plans containing all modifications, including technical edits;
- Both Enterprises' completed "Plan Modification Request" forms for each proposed modification that received a Non-Objection from FHFA. These documents will be published to provide the public with insight into the reasons the Enterprises modified their Plans.

Input Questions on the Proposed Modifications to 2022 Plan Objectives

To inform FHFA's consideration of Fannie Mae's and Freddie Mac's proposed Plan modifications, FHFA requests input from all interested parties on the following:

1. What is the proposed modification's potential impact on the related objective(s) in the Plan and on the applicable underserved market as a whole?
2. What market conditions should FHFA consider related to the proposed modification?
3. Are there any safety and soundness concerns related to the proposed modification?
4. What additional information might be helpful in evaluating the proposed modification?
5. Is the proposed modification appropriate based on the information and justification provided by the Enterprise? If not, why not?
6. Is there any other feedback on the proposed Plan, as modified, that FHFA should consider?



Each proposed modification includes a title, which identifies the Enterprise, applicable underserved market, Activity, and Objective number. **Please use this title in your response.** Responses should be as specific as possible when referring to individual Activities and Objectives.

The “Plan Modification Request” forms submitted by the Enterprises for each of the proposed modifications that are the subject of this request for input are included so that the public may understand the Enterprises’ justifications for each proposed modification. For more background information, see the Enterprises’ Plans, which are posted on the DTS program homepage on the FHFA website.

A. Proposed Modifications to Fannie Mae’s Plan

Fannie Mae has submitted eight modification requests to FHFA, and FHFA has identified the following five for public input. FHFA will consider all eight modification requests as part of its review process.

Manufactured Housing

- **Manufactured Housing Communities Owned by a Governmental Entity, Nonprofit Organization, or Residents, Objective #1 (FN_MH_Comm Govt_1):** Increase loan purchases of MHCs owned by government entities, nonprofit organizations, or residents.
- **Manufactured Housing Communities with Certain Pad Lease Protections, Objective #1 (FN_MH_Comm Pad_1):** Increase the number of loan purchases of MHCs with tenant site lease protections.

Affordable Housing Preservation

- **HUD Rental Assistance Demonstration Program, Objective #1 (FN_AHP_RAD_1):** Purchase loans for RAD properties.

Rural Housing

- **Housing for High-Needs Rural Populations, Objective #4 (FN_Rural_HN Populations_4):** Explore feasibility of equity investment to create access to affordable capital (Native CDFI)
- **Financing by Small Financial Institutions of Rural Housing, Objective #1 (FN_Rural_Small Fin Inst_1):** Acquire single-family purchase money mortgage loans in rural areas from SFIs.



B. Proposed Modifications to Freddie Mac's Plan

Freddie Mac has submitted eight modification requests to FHFA, and FHFA has identified the following six for public input. FHFA will consider all eight modification requests as part of its review process.

Manufactured Housing

- **Support for Manufactured Housing Titled as Real Property, Objective A (FR_MH_Real Prop_A):** Increase single-family loan purchases of manufactured housing titled as real property.
- **Manufactured Housing Communities with Certain Pad Lease Protections, Objective A (FR_MH_Comm Pad_A):** Purchase loans that institute Duty to Serve tenant pad lease protections.

Affordable Housing Preservation

- **Section 515, Objective A (FR_AHP_Sec 515_A):** Purchase loans to preserve properties with USDA section 515 debt.

Rural Housing

- **Financing by Small Financial Institutions of Rural Housing, Objective A (FR_Rural_Small Fin Inst_A):** Increase loan purchases from Small Financial Institutions serving rural regions.
- **Support Multifamily Properties in All Rural Areas, Objective A (FR_Rural_MF Prop_A):** Purchase loans to preserve properties with USDA section 515 debt.
- **Support Multifamily Properties in All Rural Areas, Objective C (FR_Rural_MF Prop_C):** Develop multifamily correspondent lender program for Community Development Financial Institutions, Minority Depository Institutions and small lenders to provide financial empowerment offerings for rural renters through credit building on-time rent reporting and CreditSmart.

Public Input Instructions

FHFA will accept public input on this request for input no later than December 5, 2022. Submissions may be delivered by one of the following two ways:



Request for Input on Fannie Mae and Freddie Mac Duty to Serve Plan Modifications

(1) Submitted to the DTS webpage at <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/Duty-to-Serve.aspx>; or

(2) Addressed to Marcea Barringer, Supervisory Policy Analyst, Attention: Duty to Serve 2022 RFI, Federal Housing Finance Agency, Eighth Floor, 400 Seventh Street, S.W., Washington, D.C. 20219. Please note that all mail sent to FHFA via U.S. Mail is routed through a national irradiation facility, a process that may delay delivery by approximately two weeks. For any time-sensitive correspondence, please plan accordingly.

Submissions to FHFA will be publicly posted without change, including personal information such as name, street address, email address, and telephone number.

