

National Rural Housing Coalition



**Duty to Serve –
2017 Plan Development Process and Status**



November 29, 2017

DUTY TO SERVE: OVERVIEW

- Under the Housing and Economic Recovery Act of 2008, Fannie Mae and Freddie Mac have a Duty to Serve three underserved markets – manufactured housing, affordable housing preservation, and rural housing – in a safe and sound manner for residential properties that serve very low-, low-, and moderate-income families.
- After issuing a proposed rule in December 2015, FHFA issued a final rule on December 13, 2016 to implement the Duty to Serve requirements.
- FHFA’s final rule requires the Enterprises to develop three-year Underserved Markets Plans.
- On May 8, 2017, FHFA requested public input on the Enterprises proposed Plans. The public had 60 days to provide their input on the proposals, until July 10, 2017.
- Each Enterprise updated their Underserved Markets Plan incorporating both public input and FHFA feedback. These revised Plans were submitted on September 24.

MENU OF ACTIVITIES

Activities	Manufactured housing	Affordable housing preservation	Rural housing
Statutory Activities	None.	<ul style="list-style-type: none"> • Section 8 • Section 236 • Section 221(d)(4) • Section 202 • Section 811 • Homelessness assistance • Section 515 • LIHTC-debt • Comparable state and local programs 	None.
Regulatory Activities	<ol style="list-style-type: none"> 1. Manufactured homes titled as real-estate 2. Manufactured homes titled as personal property 3. Manufactured housing communities owned by government instrumentalities, nonprofits, or residents 4. Manufactured housing communities with specified tenant pad lease protections 	<ol style="list-style-type: none"> 1. Small multifamily rental properties financing 2. Multifamily energy or water efficiency improvements financing 3. Single-family energy or water efficiency improvements financing 4. Affordable homeownership preservation 5. HUD'S Choice Neighborhoods Initiative 6. HUD's Rental Assistance Demonstration 7. Purchase and rehabilitation financing of distressed properties 	<ol style="list-style-type: none"> 1. Housing in high-needs rural regions 2. Housing for high-needs rural populations 3. Rural small financial institution financing of rural housing 4. Rural small multifamily rental properties
Additional Activities	The Enterprises may propose Additional Activities for each underserved market.		

EXTRA CREDIT ELIGIBLE ACTIVITIES

Activities	Manufactured housing	Affordable housing preservation	Rural housing
Extra Credit Eligible Activities	<ul style="list-style-type: none">• Manufactured homes chattel pilot initiative	<ul style="list-style-type: none">• Residential economic diversity	<ul style="list-style-type: none">• High-needs rural regions• High-needs rural populations (only very low-income families, income \leq 50 percent of area median income)

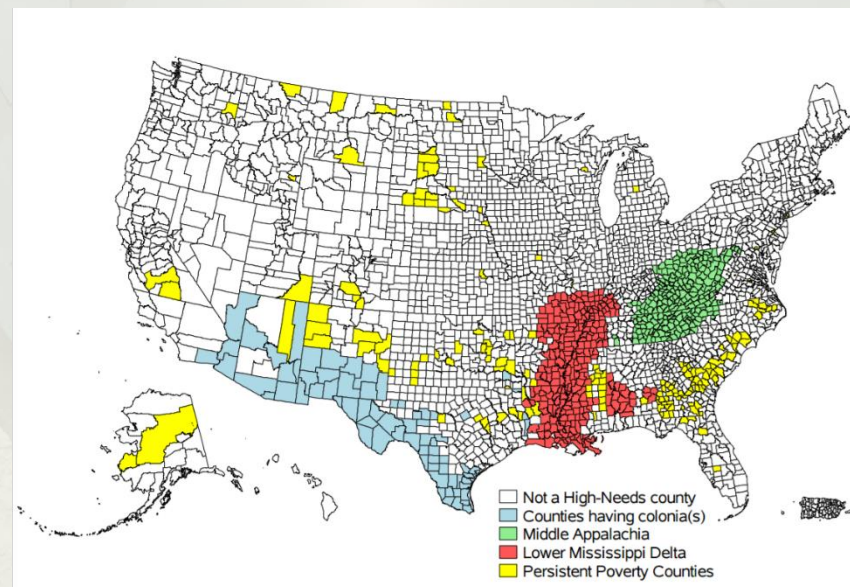
RURAL MARKET REGULATORY ACTIVITIES

1. Housing in high-needs rural regions

- Middle Appalachia
- The Lower Mississippi Delta
- Colonias
- Rural tracts in persistent poverty counties

2. Housing for high-needs rural populations

- Members of a Federally recognized Indian tribe located in Indian Areas
- Agricultural workers



RURAL MARKET REGULATORY ACTIVITIES

3. Rural small financial institution financing of rural housing

- Small financial institution = less than \$304 million in assets

4. Rural small multifamily rental properties

- Small multifamily property = 5 to 50 rental units

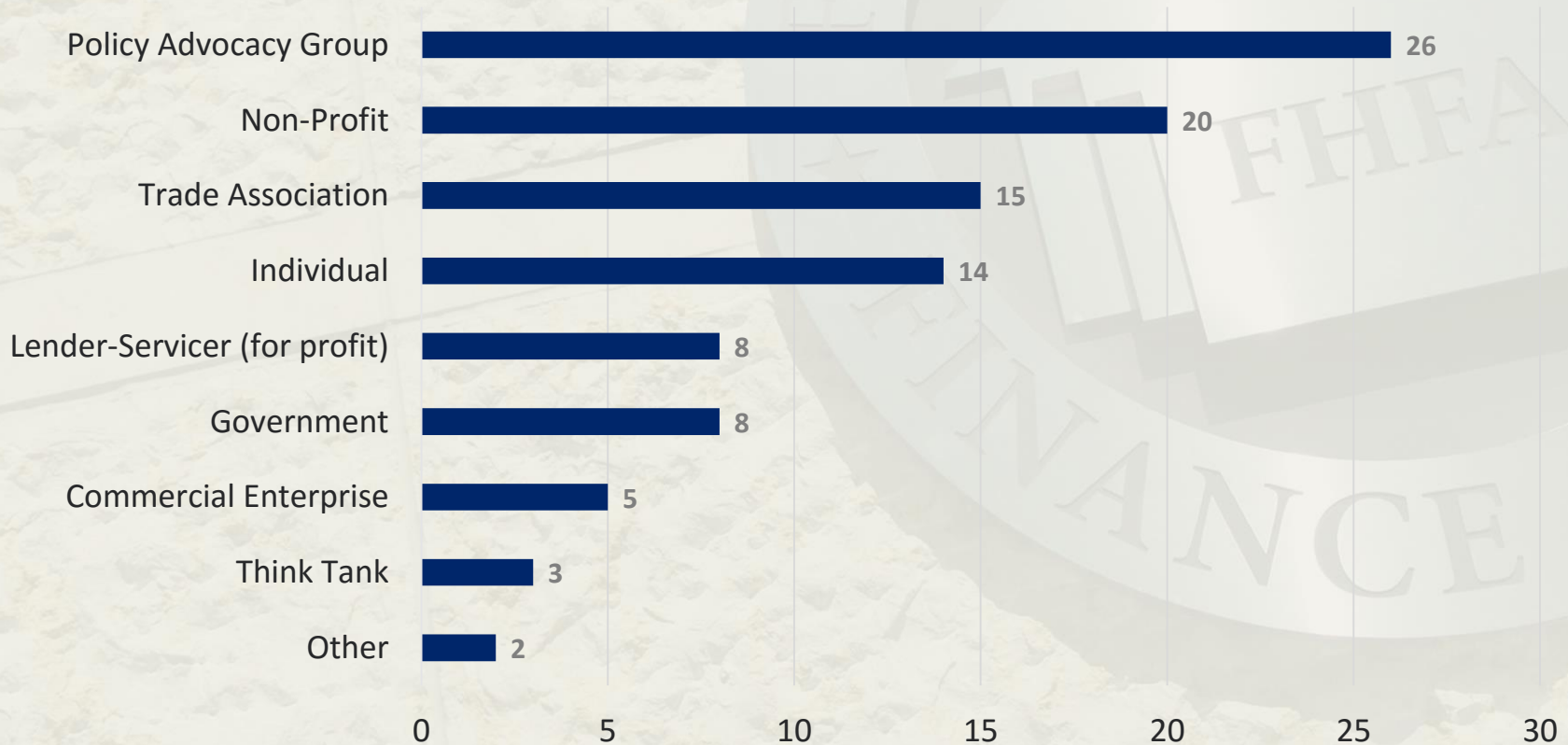
PROGRAM OVERVIEW

KEY MILESTONES OF THE DUTY TO SERVE PROCESS



SUMMARY STATISTICS ON PUBLIC INPUT

Number of Commenters



PUBLIC INPUT HIGHLIGHTS

Manufactured Housing

- Enhance chattel pilots: 1) Pursue flow loan purchases; and 2) Provide additional detail about pilots
- Utilize CDFIs to finance MHCs
- Propose more ambitious loan purchase targets

Affordable Housing Preservation

- Adopt more ambitious loan purchase targets for legacy housing programs (Section 8, LIHTC, Section 515)
- Expedite pilot launches and product changes in Year 1
- Provide more specificity describing new product features being tested

Rural Housing

- Resume LIHTC equity investments in rural areas
- Strengthen loan purchase targets and begin loan purchases sooner
- Partner with mission-driven organizations, local nonprofits, and community-based organizations

FALL TIMELINE: FORMAL FEEDBACK – NON-OBJECTION

8/17/17

FHFA provides formal feedback to Enterprises on their proposed Plans

11/3/2017

Enterprises submit final versions of their Plans

1/1/2018

Plans go into effect if FHFA issues Non-Objection decisions

9/24/2017

Enterprises submit revised Plans

12/15/2017

Target date for FHFA to issue Non-Objection decisions to each Enterprise

UNDERSERVED MARKETS PLANS: **PUBLIC INPUT**

Public input plays a critical role in Plan development by:

- Identifying the most relevant issues in each underserved market
- Offering the Enterprises ideas for what they may undertake through their Plans
- Providing insight on how the Enterprises should prioritize activities that should go in their first Plans
- Providing insight on the potential impact the Enterprises' objectives could have in an underserved market

EVALUATION PROCESS

Step 1

- **Quantitative assessment**
- Determines pass or fail

Step 2

- **Qualitative assessment**
- Evaluates impact and implementation

Step 3

- **Extra credit**
- Upward adjustment for certain eligible activities

Rating

- **Final rating**
- Fails, Minimally Passing, Low Satisfactory, High Satisfactory, or Exceeds

EVALUATION PROCESS: **PUBLIC INPUT**

Public input is especially important for Step Two, the Qualitative Assessment by:

- Providing insight on the impact objectives have in their underserved markets
- Providing information on how effectively objectives were implemented
- Providing insight on market conditions to FHFA



QUESTIONS

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