



August 9, 2024

Marcea Barringer
Supervisory Policy Analyst
Attention: Duty to Serve 2025-2027 RFI
Federal Housing Finance Agency, Ninth Floor
400 Seventh Street, S.W.
Washington, D.C. 20219

Dear Ms. Barringer:

The National Community Reinvestment Coalition (NCRC) appreciates the opportunity to comment on Fannie Mae's and Freddie Mac's proposed Underserved Markets Plans for 2025-2027 submitted to fulfill the Duty-to-Serve requirements. NCRC commends the transparency regarding goals in terms of the number of purchases for the rural housing and housing preservation sections in the draft plans. However, the plans need considerable development regarding identifying pressing needs and responding to them equitably across multiple regions in the country.

NCRC is a network of more than 700 community-based organizations dedicated to creating a nation that not only promises but delivers opportunities for all Americans to build wealth and attain a high quality of life. We work with community leaders and policymakers to advance solutions and build the will to solve America's persistent racial and socio-economic wealth, income, and opportunity divides, and to make a Just Economy a national priority and a local reality. Secondary market institutions including Fannie Mae and Freddie Mac are vital partners in our Just Economy endeavors.

This letter will not comment on each proposed activity in the underserved plans nor comment on excluded activities. We will focus on the planning aspects and needs analysis in the rural areas and housing preservation sections.

A Lack of Geographical Targeting in the Rural Needs Section

Fannie Mae's rural areas section begins with a description of demographics and housing stock characteristics in distinct regions in rural America including the Lower Mississippi Delta, Middle Appalachia, Persistent Poverty Areas, and Colonia Census Tracts.¹ This provided some hope that Fannie Mae would then engage in a comprehensive needs analysis across these four regions. However, Fannie Mae chose not to engage in this type of analysis.

¹ Fannie Mae Underserved Markets Plan, 2025-2027, pp. 14-15. The plans for Fannie Mae and Freddie Mac are located on <https://www.fhfa.gov/programs/duty-to-serve>

A robust needs analysis would include tables that would provide numbers and percentages of homeowner and rental units that were physically inadequate, the numbers and percentages of homeowners and renters experiencing cost burdens, and other indicators of the quality and affordability of housing units including vacancy rates.

The analysis would also include measures of how many home purchase loans per capita lenders had issued in each region and similar measures about secondary purchase activity by Fannie Mae and other purchasers. The analysis would then identify regions with pressing needs and whether these needs were being met by a sufficient level of lending or whether areas with great needs were not being served well by the primary and secondary market. Finally, a discussion could include demographic information such as a high percentage of African Americans residing in the Mississippi Delta and how the Delta compared with other regions in terms of needs and what an equitable increase in purchases would be in the Delta. A similar discussion could occur for Colonia Census tracts where a high percentage of Hispanics reside.²

Fannie Mae did not conduct this analysis, rendering the draft plan devoid of information about the equity of the overall purchase goals for each of the regions. In addition, goals by region would stimulate discussion among stakeholders about how to achieve the goals. Do smaller community banks, for example, need more of an outlet to either Fannie Mae or Freddie Mac? How could community-based organizations in each of the regions such as housing counselors help in goal attainment. The discussion about on-the-ground partnership building is stunted due to the lack of detail and planning on a regional level.

Freddie Mac's goals likewise present overall numbers of purchases of home mortgage loans in rural areas but do not provide needs analysis for any sub-regions.³ Freddie Mac's national goal numbers are higher than Fannie Mae's in two of the three years, but the reader of the draft plans lack sufficient information to conclude that Freddie Mac is proposing a more ambitious number.⁴ What is needed is some type of standardization. For example, what is the percentage of purchases of home mortgage loans in rural areas out of all areas for each Government Sponsored Enterprise (GSE). If one of them proposed a considerably higher percentage, the public could prod the other GSE to do better or at least explain why its percentage was lower.

As the plans currently stand, overall numbers on a national level for rural communities are not reassuring for stakeholders. It is simply not possible for most practitioners to know whether their sub-region is receiving a fair share. The plans provide information comparing past levels of purchases to projected purchases. They describe whether the projections are based on the most recent year of activity or a three-year average and why the GSE chooses its particular baseline

² Fannie Mae Plan's discussion of where concentrations of African Americans and Hispanics reside in rural areas, p. 14.

³ Freddie Mac's Underserved Markets Plan, 2025-2027, pp. 66-67

⁴ Freddie's goals on p. 66-67 of its plan and Fannie's on p. 24 of its plan.

for making projections. While this is helpful, a lack of any geographical planning and spatial distribution leaves stakeholders with an uneasy sense of how equitable the rural purchasing activity will be and whether it will be targeted mainly to the easiest areas with the largest banks and most developed infrastructure.

Regarding the needs of specific populations, NCRC noticed a small step by Fannie Mae. Fannie Mae reported that Native Americans were the least likely of any racial or ethnic group to take out loans and were least likely to reside in physically adequate housing. Fannie Mae also reported on high percentages of cost-burdened households.⁵ However, Fannie Mae then stated that it would purchase about 10 to 20 loans annually under two programs geared towards Native American areas.⁶ This is small and does not approach the needs analysis and equitable target development that NCRC recommends.

In addition, NCRC supports the recommendation of the Underserved Mortgage Market Coalition (UMMC) that the GSEs should establish regional goals in Native American areas for outreach and education to lenders and by type and size of lenders including Community Development Financial Institutions (CDFIs). These regional goals should also include outreach to housing counseling organizations and other community-based nonprofit organizations. The regional goals on outreach and education could also inform regional goals on loan purchases.

Housing Preservation for Rental Units Likewise Lacks Spatial Analysis

Both Fannie Mae and Freddie Mac estimate goals for purchases of loans financing multifamily units subsidized by the federal Section 8 program and the Low Income Housing Tax Credit (LIHTC) whose restrictions regarding maintenance of units for lower income renters are expiring. This is an important part of the planning process to ensure that affordable rental housing stock is not lost. However, the same flaws in the rural housing section replicate themselves in the rental housing preservation section.

For example, data on a state or county level regarding renter cost burden, physical adequacy of rental housing, and vacancy rates is lacking. Data standardized on a per capita basis regarding primary multifamily lending activity and GSE purchasing activity of loans financing Section 8 and LIHTC units is lacking. Therefore, housing needs cannot be compared to lending and GSE activity in order to develop equitable targets by geographical area. The absence of an effective equitable planning document stymies discussion among stakeholders and partnership building for addressing gaps between needs and private sector financing.

⁵ Fannie Mae Plan, p. 26

⁶ Fannie Mae Plan, p. 28

Freddie Mac proposes higher targets than Fannie Mae for purchases of loans for LIHTC units. For example, Freddie Mac proposes a target of loans backing 41,500 units in 2027; the comparable target for Fannie Mae is 26,400. Both GSEs have similar numbers for goals regarding Section 8 units (about 23,000 in each year of their plans). However, a lack of standardization makes it impossible to know which GSE is truly making a greater effort relative to its overall purchasing activity or capacity.⁷

Plans for Energy Efficiency Need a Boost

Single family housing preservation activity is similarly not fully developed in the Duty-to-Serve Plans. Fannie Mae, for example, proposes to purchase 30 to 39 refinance loans annually during 2025-2027 that increase energy efficiency and reduce utility costs for water as well as electricity. Fannie Mae has decreased the goal from 187 loan purchases, explaining that higher interest rates associated with refinances are impediments during the plan years.⁸ NCRC wonders whether Fannie Mae has consulted with coalitions of nonprofit organizations on a state level to inventory energy efficiency programs and to determine how it can support higher volumes of lending than the trickle of 30 or so loans annually. Likewise, has Fannie Mae consulted with bank trade associations or the federal bank agencies' CRA staff to identify banks vigorously financing energy efficiency improvements. It would also be beneficial if Fannie Mae explained whether and how it identified regions of the country with pressing needs for energy efficiency.

In contrast to Fannie Mae, Freddie Mac does not plan on purchasing refinances but instead home purchase loans to finance energy efficiency improvements. Partly as a result, its forecasted loan purchase targets are higher than Fannie Mae's ranging from 300 loans in 2025 to 330 loans in 2027.⁹ Yet, this too seems small considering the vast size of the home purchase market and the critical need for climate remediation. Freddie Mac identifies a lack of awareness on the part of homebuyers and homeowners about the benefits of energy efficiency improvements. Part of this is due to a lack of data on how increases in energy efficiency will decrease homeowner costs over the long term.¹⁰ NCRC welcomes Freddie Mac's involvement in developing and disseminating data and information on energy efficiency upgrades.

At the same time, Freddie Mac should increase its partnerships with utility companies, nonprofit organizations, and banks in marketing the benefits of energy efficiency. Freddie Mac discusses four information sessions for lenders and real estate professionals in its plan.¹¹ How about a commitment to contacting and collaborating with utilities in each of the 50 states as well as state bank trade associations and coalitions of nonprofit organizations? UMMC also points out that

⁷ Fannie Mae Plan, pp. 73 and 79. Freddie Mac Underserved Markets Plan, 2025-2027, pp. 122 and 128.

⁸ Fannie Mae Plan, p. 87.

⁹ Freddie Mac, pp. 106-107.

¹⁰ Freddie Mac, pp. 110-111.

¹¹ Freddie Mac, p. 111.



Fannie Mae and Freddie Mac need to collaborate with the organizations involved in the Greenhouse Gas Reduction Fund.¹² Such collaboration could result in significant GSE equity investment and loan purchases. The DTS plans need to add explicit goals about involvement in Greenhouse Gas Reduction Fund efforts.

Conclusion

These proposed underserved markets plans repeat the flaws of the previous plans. While they may keep the GSEs honest about overall levels of purchasing activity on a national level, they do not help to achieve spatial equity and targeting of specific undeserved areas or populations. The FHFA must either require the GSEs to do a better housing needs and spatial analysis or conduct some of the data analysis itself and provide the data to the GSEs as well as publicly. Otherwise, the full potential of Duty to Serve in targeting the neediest populations and areas remain unrealized. In addition, spatial needs analysis also would better inform GSE outreach and technical assistance efforts.

If you have any questions about this comment, please contact myself at jvantol@ncrc.org or Josh Silver, Senior Fellow, at jsilver97@gmail.com

Sincerely,

A handwritten signature in black ink that reads "Jesse Van Tol". The signature is written in a cursive, flowing style.

Jesse Van Tol
President and CEO

¹² See <https://www.epa.gov/greenhouse-gas-reduction-fund/about-greenhouse-gas-reduction-fund>