



**GROUND
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November 5, 2019

FHFA

Division of Housing Mission and Goals
400 Seventh Street, S.W., Seventh Floor
Washington, D.C. 20219

RE: Request for Input on Fannie Mae and Freddie Mac Proposed Modifications to their 2018-2020 Duty to Serve Plans (October 2019)

To Whom It May Concern,

Grounded Solutions Network would like to provide comments on Fannie Mae's Proposed Modifications to objectives that pertain to shared equity homeownership programs.

Grounded Solutions Network is a national nonprofit membership organization of community land trusts, nonprofits, and government programs that create and preserve inclusive communities and housing with lasting affordability. Our membership includes over 200 nonprofits and local government programs serving 45 states, the District of Columbia, and Puerto Rico. Most of our nonprofit and government members have shared equity homeownership programs and develop rental housing with lasting affordability. We provide the field with training, technical assistance, resources, research, and advocacy to adopt and improve programs and policies that provide shared equity homes and other housing with lasting affordability.

Fannie Mae's proposed Objective modifications are:

- ***Shared Equity Programs for Affordable Housing Preservation Activity, FNM_AHP_I-1: Affordable Housing Preservation, Objective #1 – 2020: Eliminate loan purchase actions and change evaluation area type from loan purchase to loan product; add new loan product actions to improve its ability to determine DTS eligibility among shared equity programs.***
- ***Shared Equity Programs for Affordable Housing Preservation Activity, FNM_AHP_I-2: Affordable Housing Preservation, Objective #2 – 2020: Eliminate loan purchase actions and change evaluation area type from loan purchase to loan product.***

Grounded Solutions Network would like to express our support for Fannie Mae's modifications to these Objectives. Ultimately, we agree with Fannie Mae's Justification, especially that the most promising path forward is to develop the policy and process infrastructure needed for lenders to consider shared equity loans as standard product options.

To implement these modified Objective, Fannie Mae specified the following actions:

- *Explore options for determining DTS eligibility of shared equity programs, with the goal of providing clarity to lenders and program providers (2019)*
- *Initiate work to create a model deed restriction for use by shared equity programs (2019)*
- *Fannie Mae will stand up a system for determining and communicating to lenders DTS-eligibility for shared equity programs. (2020)*
- *Publish a model deed restriction for use in Fannie Mae programs, marketing it to shared equity programs and encouraging adoption. (2020)*

We support the first three actions. However, based upon our research and knowledge, we believe that the development of a Model Deed Restriction will be a complex project that will require ample time, resources, and substantial stakeholder input and coordination. We estimate that it will take a minimum of one year to create this Model Deed Restriction and supporting resources; hence, we would recommend that Fannie Mae change the action in 2020 (bullet 4 above) to “support the development of a Model Deed Restriction during 2020, which will be published and disseminated in 2021.”

We also want to provide some additional information to FHFA on “exploring options for determining DTS eligibility...” (bullet 1) and “stand up a system for determining and communicating to lenders DTS-eligibility...” (bullet 3). An unanticipated consequence of the “shared equity homeownership” definition in the duty-to-serve rule is added burden on evaluating whether loans qualify for DTS credit. Additionally, some aspects of the definition could have various interpretations on what qualifies for fulfilling the definition. For instance, if a program writes into its legal documents that a homeowner may not refinance the home above their original affordable purchase price, would this fulfill the regulatory component of the definition that requires shared equity programs to review and approve refinance loans and home equity lines of credit? We hope that FHFA will support the Enterprises by clarifying what qualifies as meeting the “shared equity homeownership” definition. We also hope that FHFA will support the Enterprises to reduce the burden on lenders and practitioners (as well as costs and burden for the Enterprises) by allowing programs to be evaluated from time-to-time for the “shared equity homeownership” definition and then counting loans to borrowers in those programs as DTS credit.

We hope to speak with FHFA more about this in the future. Please do not hesitate to reach out to us with questions. We appreciate the opportunity to express our support of Fannie Mae’s modifications.

Sincerely,



Emily Thaden
Director of National Policy & Sector Strategy
Grounded Solutions Network