Underserved Mortgage Markets Coalition's Blueprint for Impactful Duty to Serve Plans

January 20, 2022

A. Manufactured Housing Market

1. We recommend that both Enterprises substantially increase the number of purchased mortgage loans secured by manufactured housing real property (MHRP).

    a) The baseline for both plans should be based on the number of 2020 unit loans. (Fannie Mae: 8,798) (Freddie Mac: 6,634).

    b) To affect a shift in the market, the proposed MHRP purchase volumes need to increase significantly. For Fannie Mae:

        i. 2022 - 9,677 unit loans (10 % increase over baseline)

        ii. 2023 - 15,396 unit loans (75% increase over baseline)

        iii. 2024 - 20,675 unit loans (135 % increase over baseline)

    c) For Freddie Mac:

        i. 2022 – 7,297 unit loans (10 % increase over baseline)

        ii. 2023 – 11,609 unit loans (75% increase over baseline)

        iii. 2024 – 15,589 unit loans (135 % increase over baseline)

2. We recommend that both Enterprises modify their plans to finish laying the groundwork for serving the chattel loan market. To reach the chattel loan market, which is less mature and harder to serve than other markets, the Enterprises should plan a logical progression of activities that would help them build a solid foundation. In serving the chattel lending market, the Enterprises should plan to develop consumer protection guardrails (e.g.,

making housing counseling a mandatory component of chattel loans).

a) Year 1: Do the necessary rebooting of the previously completed outreach, research, and loan product development objectives;
b) Year 2: Commence initial chattel pilots;
c) Year 3: Invest and purchase loans in the chattel market.

B. Rural Housing Market

1. Address the Section 515 preservation crisis:
   a) Year 1: We recommend that Fannie Mae and Freddie Mac each operationalize and market a new Section 515 pilot purchase product and engage in loan purchases.
   b) Years 2 and 3: Scale Enterprise loan purchase volume (FR_R_MF Prop_A). Fannie Mae proposes purchasing 15 percent of loans secured by Section 515 properties at risk of exiting the program and Freddie Mac should match that volume. Specifically, we recommend that Fannie Mae and Freddie Mac each purchase 9 loans in 2023 and 13 loans in 2024. If the Enterprises come to a subordination agreement early in year 1, we recommend they use that time to operationalize and market a new Section 515 pilot purchase product and engage in loan purchases.

2. Develop better loan products to serve High Needs Rural Regions (HNRR)

   a) We recommend that both Enterprises add an activity creating a CDFI preferred product or current product flexibility to meet LMI borrower needs. These products should allow:
      i. Exceptions from income limits in HNRRs and persistent poverty areas.
      ii. Credit exceptions for low and/or non-conforming credit.
      iii. Institute a 4% deferred or repayable loan to cover closing costs after the 1st lien is paid.
      iv. Increase the seller concession amount from 3% to 6%.
      v. Eliminate the limit on CLTV given that FHA does not have a limit.

C. Affordable Housing Preservation- Multifamily

1. Provide DTS credit for LIHTC equity investments in non-rural preservation. Since there are underserved non-rural markets that need more incentive to attract LIHTC equity investors, we recommend that FHFA include credit for certain LIHTC equity investments in preservation deals in underserved markets and property types. Incorporating an explicit DTS credit for this activity will help focus GSE efforts on critical preservation needs, potentially encouraging investment allocation from the unrestricted part of the cap and in excess of the VLI subgoal in the Multifamily Housing Goals. The Enterprises should each start now on a plan modification based on the following proposed criteria:

    a) Transactions that would preserve existing multifamily properties that need rehabilitation and recapitalization or are reaching the end of their restricted use periods; explicitly not any new construction deals.
    b) We seek not to dilute the current incentive to make rural LIHTC investments, so we recommend that DTS credit for targeted, underserved non-rural preservation investments that would preserve existing multifamily properties be calibrated to encourage both investment types, including allowing "double counting" rural preservation investments in both the Rural and Affordable Housing Preservation activities.

2. Increase loan purchases of multifamily properties with expiring use restrictions. We recommend that both Enterprises establish a target larger than the sum of individual activity targets; this goal can be flexibly met by multiple activities under Affordable Housing Preservation.

    a) This target should be set 10% higher than the (amended) aggregate target for AHP activities in each plan year.
    b) Recognizing that LIHTC debt purchases include a mix of new construction and preservation and accounts for the largest component of proposed activities, we recommend establishing a subtarget set at no less than half of the aggregate target focused on preservation of existing units through debt purchases on expiring use properties with new rent/income restrictions that exceed the term of the new loan (thus, more narrowly defined than "preservation" within DTS more generally).

D. Affordable Housing Preservation- Single Family

1. Increase outreach and loan purchases in high energy-burdened areas of the United States. We request both Fannie Mae and

Freddie Mac to add these objectives to their plans, which also will aid in identifying and addressing racial and ethnic disparities in underserved communities:

a) Year 1: Identify 5 metropolitan statistical areas (MSAs) with disproportionate concentrations of low-performing homes, develop approaches to reach populations with low- and moderate-incomes and execute a pilot to deliver green mortgage financing solutions.
b) Year 2: Develop and execute an incentive program for homebuyers that combines down payment assistance with green mortgage financing.
c) Year 3: In the 5 MSAs, buy green mortgages representing 10% of all loan purchases for low- and moderate-income families.

2. Increase loan purchases for borrowers of shared equity homes in the range of 50% year over year, based on 2020 purchase numbers.

   a) Fannie Mae:
      i. Year 1: 193-233 loans
      ii. Year 2: 266-320 loans
      iii. Year 3: 366-440 loans
   b) Freddie Mac:
      i. Year 1: 78 loans
      ii. Year 2: 117 loans
      iii. Year 3: 176 loans

	Fannie Rejected Plan: 2024	UMMC Recommendation: 2024	Freddie Rejected Plan: 2024	UMMC Recommendation: 2024
Manufactured Housing				
Mortgage loans for manufactured housing real property	9,476 unit loans	20,675 unit loans	4,500 – 5,500 unit loans	15,589 unit loans
Chattel investments and loan purchases (with enhanced consumer protections)	No	Yes	No	Yes
Rural Housing				
Section 515 property investment	13 loans[1]	13 loans	1 loan	13 loans
Flexible loan products (CDFI preferred product) to serve LMI borrowers in High Needs Rural Regions (HNRR)	No	Yes	No	Yes
Multifamily Affordable Preservation				
DTS credit for LIHTC equity investments (non-rural)[2]	No	Yes	No	Yes
Aggregate loan purchases of multifamily properties with expiring use restrictions	No	Target 10% higher than aggregate target for AHP activities	No	Target 10% higher than aggregate target for AHP activities
Single Family Affordable Preservation				
Loan purchases in high energy-burdened areas of the United States	196 loans	Target 10% of all loan purchases for LMI families in targeted localities	200-500 loans	Target 10% of all loan purchases for LMI families in targeted localities
Loan purchases for shared equity homes	225 loans	336-440 loans	55-75 loans	176 loans

[1] Fannie Mae's rejected DTS Underserved Markets Plan met the UMMC's targets for Section 515 property investment for years 2022 and 2023

[2] Would require FHFA to change policy on DTS credit for LIHTC equity investments.