March 17, 2016

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

RE: RIN 2590-AA27 – Enterprise Duty to Serve Underserved Markets Proposed Rule

Dear Mr. Pollard:

On behalf of the Center for American Progress, Consumer Federation of America and the other undersigned organizations or individuals, thank you for the opportunity to comment on this rulemaking.

The proposed rule is a significant improvement from the rule proposed by FHFA on June 7, 2010, and the Federal Housing Finance Agency (FHFA) incorporated significant changes that reflect comments submitted by housing and consumer advocates. Alongside this progress, we believe the newly proposed rule requires certain additional changes to ensure that Fannie Mae and Freddie Mac (the Enterprises) effectively serve the needs of the underserved markets defined by the Housing and Economic Recovery Act (HERA).

The Duty to Serve provisions of the Housing and Economic Recovery Act of 2008 are part of a suite of requirements designed to ensure that Fannie Mae and Freddie Mac fulfill the mission objectives that are an integral part of their unique government-sponsored status. These include the annual housing goals established and monitored by FHFA, and the 4.2 basis point assessment levied on each prior year's total originations volume and devoted to the Housing Trust Fund and Capital Magnet Fund. The Duty to Serve requirement should be seen and evaluated in the context of this larger mission oversight. The housing goals are annual specific measures of the Enterprises' success in providing mortgage financing to very low-, low- and moderate-income households. The assessment is a specific financial contribution to underwrite the costs of subsidizing certain households and activities that serve them.

The Duty to Serve requirement provides a more nuanced and contextual set of expectations for program and customer development, outreach, and marketing to increase access to mortgage capital in a specific set of markets identified by Congress. Given these different contexts, we believe that the Duty to Serve regulation should include both measurable and time-bound goals as outlined in the proposed rulemaking and an engaged, ongoing evaluation of the Enterprises' activities. We also believe that the finalization of the Duty to Serve rule is an opportunity for FHFA to adopt a much more interactive regulatory approach to the Enterprises. We explain this in greater detail in our comments.

The Duty to Serve requires not only that the Enterprises identify and focus on specific actions to expand their service, but also will require the participation by primary market lenders who are responsible for marketing to consumers and on whom the Enterprises must rely to adopt innovations and deliver eligible mortgages. FHFA's oversight and evaluation of the Enterprises' success should take this necessary participation into account. As we explain in our comments, this is also an opportunity for

FHFA to actively promote the Duty to Serve plans once adopted and to work with other market participants to help ensure their success.

In the sections below we provide responses to some of the questions posed by FHFA in its proposed rulemaking. In particular, our comments focus on the following areas:

1. The design and content of the plans required by the proposed rulemaking;
2. Specific suggestions about the qualifying activities in each of the three statutorily mandated areas subject to the rulemaking; and
3. Recommendations for how FHFA should approach the review and consideration of Enterprise execution against the plans.

Underserved Markets Plans

FHFA seeks comment in **Question 1** on how much discretion the Enterprises should have in including Core and Additional Activities in their plans. The proposed rule would not require the inclusion of every activity, but would require the Enterprises to consider each Core activity and detail in its Plan if it has decided not to include it. We believe that this is a sensible approach that offers the necessary flexibility for each Enterprise to decide the most effective means to pursue activities in each of the designated market areas while requiring transparency in how the decision was reached. The inclusion of a public comment period on the Enterprises' proposed Plans will provide an opportunity to challenge these decisions, as will FHFA's review of the Plans.

Question 2 seeks comment on whether FHFA should specify Regulatory Activities for each of the market areas or permit discretion by the Enterprises in deciding. FHFA should designate the Regulatory Activities that must be addressed in each of the underserved markets. As noted in our response to Question 1 above, we believe that allowing broad discretion in identifying and choosing which Regulatory Activities to pursue is appropriate given the nature of the Duty to Serve requirement, as long as the choices and reasoning behind them are disclosed in a Plan and subject to both public and FHFA review.

Question 4 seeks comment on whether the proposed requirements for the Objectives are appropriate and whether there should be additional requirements. Given the broad nature of the Duty to Serve requirement, we support the requirements as proposed, especially the emphasis on measurable, strategic and time-bound results. We note that the proposed requirements for the Outreach Factor and the Loan Product factor include some less easily measured elements, while the Loan Purchase and Investments and Grants factor lend themselves to more fully quantitative measures. One factor that the plans should take into account is how progress is measured when the objective requires multiple steps. The plans should specify what will be done and when as part of a potentially multi-year strategy to increase loan production through a combination of product modifications, lender outreach, and education and market stimulation. In particular, we strongly urge that the final regulation require the Enterprises to specify in their plans which actions they propose to take that could receive extra credit for increasing residential economic diversity under the proposed Duty to Serve rule.

As we note below in responding to questions about the evaluation of Enterprise success, we strongly encourage FHFA to take an active role throughout the Plan period to monitor progress and require

clarity from the Enterprises about what they are planning to accomplish and how they are progressing throughout the Plan period.

The proposed rule's requirement for quarterly reporting of the Loan Purchase assessment factor would facilitate this kind of ongoing review. The rule notes the difficulty of forecasting loan acquisition into the future; this is a recurring issue in the regulation and oversight of the housing goals. We recommend FHFA consider using a percent of business metric for this assessment rather than a specific volume metric, or use both in combination. Doing so will make it easier to identify progress in varying market conditions. For instance, if volumes in the primary market are markedly lower than anticipated in the Plan, progress under this assessment factor could still be measured and assessed as a relative share of all production, or a subset of production, while a specific numeric goal might suffer because of market conditions rather than efforts by the Enterprises.

Question 7 seeks comment on whether the proposed Underserved Markets Plan is an appropriate and adequate means of establishing and evaluating Enterprise progress in meeting their obligations. The proposal would require the Enterprises to publish their proposed plans for a 45-day comment period by the public, followed by a further 60-day period during which FHFA would comment on and request changes to the proposed Plans. Except in the first year of implementation, Plans would become effective on January 1. We strongly support the requirement for the Enterprises to post their proposed plans for public comment. We are concerned, however, that the proposed timeline may not incorporate sufficient time for the public to review the Plans and submit comments; for FHFA to consider comments along with their own observations; and for the Enterprises to incorporate those changes within the proposed time frames. FHFA proposes a "non-objection" to the plan "After FHFA is satisfied that all of its comments have been addressed...."[1] Based on the proposal, this action would take place within 60 days after the close of the public comment period. The final rule should clarify how any delay in FHFA's issuance of the "non-objection" would affect the effective date of a Plan, and which actions, if any, the Enterprises would be expected to take in the interim.

FHFA also proposes to permit the Enterprises to modify their Plans during their term, or to direct them to do so. The rule suggests that public comment on such modifications may be solicited, but does not require it. Given the variety of activities anticipated in the proposed rulemaking, the reality of changing market conditions, and the uncertainty associated with the the Outreach and Loan Product factors as the Enterprises carry out their Plans, we support the opportunity to modify the Plans. While public comment may not be required, we strongly urge FHFA to provide notice when significant modifications are approved, including details of such changes and the reasoning behind approving them. This transparency will enhance the public's understanding of the progress and evolution of the Plans and provide opportunity for the public to comment on such modifications in the next annual plan submission and review period.

The rule proposes that the Enterprises submit final reports 75 days after the end of the program year. FHFA will require time to assess the reports, meaning it could be several months into the next program year before the Enterprises receive an assessment rating of their progress. As a consequence, we strongly urge FHFA to take an active role in monitoring Enterprise progress in their Plans during the Plan

[1] Enterprise Duty to Serve Underserved Markets; Proposed Rule, 80 Fed. Reg. 243 (Dec. 18, 2015) (12 C.F.R. § 1282), available at https://www.gpo.gov/fdsys/pkg/FR-2015-12-18/pdf/2015-31811.pdf. See p 79186.

period, and to work with them beyond identifying necessary modifications. The nature of the proposed activities will require not only Enterprise contributions but also changes in and collaboration with other market participants, such as primary market lenders, credit enhancers, and, potentially, prudential and other government regulators. FHFA should maintain ongoing communication and review of the Enterprises' progress throughout the Plan period, not only when Plan updates are submitted as proposed in the rule.

FHFA should intentionally create opportunities to meet with other market participants to understand how the adopted Plans are being executed and to identify issues that may constrain the Enterprises' ability to fulfill them. This process may identify areas in which FHFA could assist in reducing or eliminating obstacles encountered by the Enterprises. It also could identify areas where FHFA could encourage other market participants whose collaboration will be necessary for the Plans' successful completion. Such ongoing dialogue and consultation also will identify where modifications either to the Plans' provisions or the priority in which they are pursued are appropriate. The Enterprises may find as they execute their plans that some activities are bearing fruit more quickly or effectively than others and therefore deserve additional attention. This may suggest that other activities be delayed in order to effectively use available resources. Other opportunities not foreseen in the original Plans also may arise as work progresses. FHFA participation in ongoing discussions of this nature will enhance its oversight and potentially increase the Enterprises' success at having measurable impact in the underserved markets.

In response to **Question 8**, we support the three-year term of the plan as proposed in the rule. The nature of the activities proposed in the rule recommends a multi-year approach so that initiatives can develop and mature over time. Three years may turn out to be either too short or too long to accommodate market changes and Enterprise progress, but we believe it is an appropriate length of time for the first round of implementation. FHFA should evaluate the term for Plans and recommend any changes it determines are appropriate in a future rulemaking.

Progress in achieving the results in each Enterprise Plan should be one of the key elements of FHFA's Enterprise Scorecard each year. FHFA's practice of highlighting its priorities and reporting on Enterprise progress against them is an important method through which to focus Enterprise leadership and management attention, as well as to signal to the public how important the Duty to Serve process is in FHFA's overall regulation and oversight of the Enterprises.

Manufactured housing

The manufactured housing portion of the Duty to Serve rule is a key mechanism for supporting an important source of affordable housing for many low-income people. According to the Corporation for Enterprise Development, sixty-three percent of owner-occupied manufactured housing is affordable to low-income households. Only 26 percent of all other owner-occupied housing is affordable to these households.[2] Moreover, residents of manufactured homes earn about half what families of other homes earn.[3] At the same time, people who rely on the manufactured home for affordable housing are

---

[2] Corporation for Enterprise Development, "Manufactured Housing: Building Wealth at Home," September 2013, available at http://cfed.org/assets/pdfs/Fact_File_-_Manufactured_Housing.pdf (last accessed March 2016).
[3] Consumer Financial Protection Bureau, "Manufactured-housing Consumer Finance in the United States," September 2015, available at http://files.consumerfinance.gov/f/201409_cfpb_report_manufactured-housing.pdf.

vulnerable to predatory lending. For instance, in April 2015, the Center for Public Integrity and the Seattle Times found that the biggest financer of mobile homes, Clayton Homes, used predatory sales practices, pushed borrowers toward high-priced lenders within Clayton's umbrella, and forced households into loans with inordinate fees and interest rates.[4] The Duty to Serve rule is important then not only in promoting a critical source of affordable housing; it is also an opportunity to boost protections for the residents of manufactured homes.

Toward this end, FHFA appropriately tries to focus Enterprise support toward the more tenant-friendly and community-driven types of manufactured communities. We support the proposed rule's inclusion of secondary market support for certain manufactured housing communities, a change from the rule proposed in June 2010.

Question 17 seeks comment on whether the proposed limit of 150 pads for an eligible small manufactured housing community is appropriate or whether a different threshold could better achieve the purposes of Duty to Serve. We have concerns that setting the threshold at 150 pads may include too many communities that lack sufficient tenant protections. In its discussion of the proposed rule, FHFA says that manufactured home communities typically have under 200 pads.[5] Moreover, residents of manufactured housing communities may face several problems; the Housing Assistance Council found these to include excessive rent hikes, park closures, poor management and maintenance, prohibitive rules, and limited access to city services.[6] We do not see any reason for FHFA to include manufactured housing communities with the sole criterion of 150 pads or less as one of the communities eligible for Duty to Serve credit, and we believe FHFA should eliminate this from the list of eligible communities. The rule as currently proposed lacks a clear metric for ensuring that Enterprise support for small manufactured housing communities would not go toward underserved communities in which residents are subject to unreasonable terms and conditions and where they are not afforded the basic protections outlined in the rule itself. If FHFA chooses to keep the small manufactured housing community criterion, then it should decrease the pad limit or focus Enterprise activity under this type of manufactured housing community geographically, for example to high-needs rural regions.

We believe that FHFA needs to clarify and emphasize that support for each of the specified types of manufactured housing communities is a separate Regulatory Activity. If FHFA decides to strike manufactured housing communities with 150 pads or less from the list as we propose, then we believe it should make clear that support for a) manufactured housing communities that are owned by a governmental unit or instrumentality, by a nonprofit, or by residents and for b) manufactured housing communities with the listed tenant protections are both regulatory activities. If FHFA decides to keep manufactured housing communities under a certain pad limit as eligible for Duty to Serve credit, then it becomes especially important for the Duty to Serve rule to clarify that support for each of the three types of manufactured housing communities – small manufactured housing communities; communities owned by a government unit/instrumentality, a nonprofit, or by residents; and communities that have the listed tenant protections – is a Regulatory Activity. In this case, the manufactured housing portion of

---

[4] Daniel Wagner and Mike Baker, "Warren Buffett's Mobile Home Empire Preys on the Poor," *The Center for Public Integrity*, March 9, 2016, available at http://www.publicintegrity.org/2015/04/03/17024/warren-buffets-mobile-home-empire-preys-poor.

[5] Enterprise Duty to Serve Underserved Markets; Proposed Rule. See p 79190.

[6] Housing Assistance Council, "Preserving Affordable Manufactured Home Communities in Rural America: A Case Study" (March 2011), available at http://www.ruralhome.org/storage/documents/rcbi_manufactured.pdf.

the rule would have four Regulatory Activities: support for manufactured homes titled as real property and support for each of the three types of manufactured housing communities.

The Enterprises' Plans should include specific steps they plan to take to support these other types of communities. For example, as the Corporation for Enterprise Development (CFED) notes in its comments, the Enterprises should receive Duty to Serve credit for investments in Community Development Financial Institutions (CDFIs) that provide financing for single-family manufactured housing and to support the preservation and development of manufactured housing communities. Purchase of such loans from CDFIs or investments in specific CDFI's for the specific purpose of carrying out such lending should qualify for Duty to Serve credit.

Question 13 seeks comment on whether the Enterprises should receive credit for purchasing chattel loans on an ongoing or pilot basis. We support FHFA's decision to exclude financing of manufactured homes titled as personal property as a regulatory activity under the Duty to Serve rule. Given the lack of consumer protections for chattel or personal property manufactured housing loans, we believe a pilot program is the appropriate means for exploring how the Enterprises might facilitate safe, affordable housing by purchasing chattel loans. However, we believe that FHFA should require the chattel loans in such a pilot to have rigorous underwriting and consumer protection standards. Specifically, the loans should meet the Qualified Mortgage standard with respect to loan terms and features, and be underwritten within the borrower's ability to repay the loan, as well as the current lot rent, if applicable. FHFA should also, after detailed analysis, designate an APOR rate cap on chattel loans included in the pilot program. Even more consumer protection standards for chattel loans, including provisions for security of land tenure, are necessary in order to ensure that the Enterprises participate responsibly in this market.

Affordable housing preservation

The affordable housing preservation portion of the Duty to Serve rule is increasingly relevant today. More households are renting today, but an affordability squeeze is forcing too many to sacrifice basic needs in order to pay their rent. The number of low-income renting households increased by 40 percent between 2003 and 2013.[7] The number of low-cost rental units, though, only grew by 10 percent during that time frame. This supply problem for affordable housing affects low-income people, minorities, and households with dependent children and/or a single income the most acutely.[8] Preserving affordable housing stock is imperative in this climate – all while over 2 million privately owned and federally subsidized units could mature out of affordability in the next ten years.[9]

[7] Joint Center for Housing Studies of Harvard University, "America's Rental Housing: Expanding Options for Diverse and Growing Demand," (2015), available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/americas_rental_housing_2015_web.pdf.

[8] Shiv Rawal and Sarah Edelman, "Preservation: A Key Step Toward Addressing the Rental Affordability Squeeze," *Morning Consult*, December 18, 2015, available at http://morningconsult.com/opinions/preservation-a-key-step-toward-addressing-the-rental-affordability-squeeze/.

[9] Joint Center for Housing Studies of Harvard University, "America's Rental Housing."

New construction

Question 29 seeks comment on whether Enterprise purchase of permanent construction takeout loans on new affordable multifamily rental properties with extended-use regulatory agreements that keep rents affordable for a specified long-term period should receive credit under the affordable housing preservation market. We would support this if and only if an Enterprise submits a strong proposal to FHFA for financing new, affordable units in a way that encourages residential economic diversity or that provides financing for replacement housing that preserves the subsidy on existing affordable units in areas of opportunity. Under these conditions, FHFA could consider allowing credit for Enterprise support for small community lenders and CDFIs through acquisition and development financing as well as forward commitments for long-term loans for newly constructed homes. Such support could include purchase or securitization of such end loans; providing working and equity-like capital to facilitate such lending; and collaborations that could be detailed in the Enterprises' plans.

At this time there does not appear to be a need for additional liquidity in the multifamily new construction market – banks and insurance companies appear to be meeting the demand for take-out loans and permanent financing on new buildings. Moreover, the GSEs have limited experience in the financing of new multifamily construction, which may mean that it could be difficult for them to do this work efficiently. However, if an Enterprise has a strong proposal for new construction with the conditions discussed, then FHFA should consider it.

Section 1282.38(b)(1) specifies that loans financed through the assessments required for the Housing Trust Fund (HTF) and Capital Magnet Fund (CMF) are not eligible for counting in the loan purchase assessment factor. We urge FHFA to clarify that loans purchased or securitized by the Enterprises that are made with other sources of funding are eligible, even if these loans are included in projects that also receive HTF or CMF funding. This is consistent with language in the 2008 HERA legislation. The presence of grant or other funding through the Housing Trust Fund or Capital Magnet Fund in any project's capital stack should not disqualify other eligible debt from being financed by the Enterprises and counted under the loan purchase assessment factor. This could become particularly important in providing financing for projects in high opportunity areas or in helping to increase economic diversity, where subsidies like those provided by the two funds will likely be an important component of any successful efforts.

Small multifamily

Question 47 seeks comment on the proposal to make purchase and securitization of loan pools from non-depository CDFIs and specified small conventional lenders that are backed by small multifamily loans a Regulatory Activity under the Affordable Rental Housing Market. We strongly support this proposal. These smaller institutions often are better suited to the more complicated underwriting and counterparty assessments that are necessary to succeed in the small rental property space. Encouraging Enterprise liquidity for these pools, even though economic returns for such transactions could be less profitable than alternative investments, is a very important way to increase liquidity and standardization in this field.

FHFA should also consider adding reference to Enterprise approaches that would increase the supply of credit to smaller properties that combine commercial and residential use. Current Enterprise

underwriting guidelines discourage or prevent such investment. Yet such properties are an important source of existing affordable homes and can help maintain economic diversity.

Shared equity

FHFA rightfully points to shared equity homeownership models as an important tool to increase access to sustainable homeownership, decrease likelihood of foreclosure, build wealth, and preserve affordable homeownership. One version of shared equity restricts the resale value of a property through deed restrictions or ground leases, stipulating the future affordability of a property across successive homeowners. A second version often involves participation by a third party, usually a public or charitable entity, that retains a share of any eventual appreciation in a property in return for supporting the initial purchase, usually through a gift or a second mortgage. Shared equity mortgages, which have a lower default risk than regular mortgages, could produce an increase between 1 and 1.5 percent in the U.S. homeownership rate.[10] And as the longitudinal data cited in FHFA's rulemaking shows, shared equity programs significantly improve the likelihood of a household maintaining homeownership.[11] At the same time, lenders may be reluctant to finance shared equity loans due to their unconventional characteristics, the higher costs of originating such loans, which often involve more complicated structures and participants, and underwriting requirements at the Enterprises.[12] The Enterprises can therefore play a critical, though not necessarily determinative, role in stimulating access to shared equity loans. We commend FHFA's inclusion of shared equity in the Duty to Serve rule and believe that the Enterprises should support shared equity models through loan purchases – both first liens and potentially the second liens provided by third parties, by streamlining and standardizing their underwriting for shared equity models, and by making targeted investments that help nonprofits support shared equity models or that train lenders in the financing of shared equity.

Question 66 asks whether Enterprise support for affordable homeownership preservation should be a Regulatory Activity. We strongly support the inclusion of affordable homeownership preservation through shared equity models as a Regulatory Activity in the Duty to Serve rule. FHFA should maintain this Regulatory Activity along with the required pre-emptive purchase option in the final rule.

Question 65 asks whether affordable homeownership should be preserved for longer than 30 years to qualify for Duty to Serve credit. We believe that the affordability term should not be required to be longer than 30 years for affordable homeownership preservation, as long as eligible shared equity models are accompanied by a preemptive purchase option, which the rule already requires. Keeping the affordability term at 30 years would avoid implementation challenges while still ensuring that a property remains affordable through successive sales. We note that some models, such as those using land trusts that provide leaseholds to the actual homes, are designed to maintain affordability and resale restrictions in perpetuity, and the rule should explicitly encourage the Enterprises to facilitate home financing in such models.

---

[10] Andrew Caplin and others, "Shared-Equity Mortgages, Housing Affordability, and Homeownership" (Fannie Mae Foundation, 2007), available at http://cess.nyu.edu/caplin/wp-content/uploads/2010/07/Shared-Equity-Mortgages-Housing-Affordability-and-Homeownership.pdf

[11] Enterprise Duty to Serve Underserved Markets; Proposed Rule. See p 79204.

[12] Ibid.

We believe that only shared equity models that keep a home affordable beyond just the next buyer should be eligible for Duty to Serve credit. In other words, any shared equity model that only maintains affordability of the home for one buyer should not qualify for Duty to Serve credit. Shared appreciation loans can be a powerful means to connect people with sustainable homeownership, but we only support Duty to Serve credit for shared appreciation loans that are structured for longer-term affordability and offered through non-profits or governments. Without the proper guard rails, shared appreciation loans can be predatory products. Restricting Duty to Serve credit in this way will help ensure that the Enterprises are encouraging the development of a responsible market.

As FHFA notes in its proposed rulemaking, Fannie Mae has made automated underwriting available for certain shared equity loans.[13] This is a positive step in the right direction, and both Enterprises should improve underwriting capabilities for shared equity mortgages. By purchasing shared equity loans with the discussed qualifications, the Enterprises can create a market for shared equity through their size and reach while also ensuring that the market is safe, sound, and not predatory. These loans could include blanket loans held by nonprofits, governmental units, or cooperatives of residents in order to stimulate a market in shared equity.

We would like to emphasize that the shared equity market illustrates the need for some level of qualitative analysis in FHFA's scoring and evaluation of the Enterprises' Underserved Market Plans. In the shared equity space, the loan product and outreach assessment factors would have a big impact in the field, but they would not generate big numbers in the way the loan purchase assessment factor does. Since the shared equity market is fairly small, a strict quantitative scoring mechanism may not capture the impact of Enterprise work in affordable homeownership preservation. FHFA should carefully weigh the important impact of Enterprise work in loan products, outreach, or investments in shared equity so that the Enterprises are not discouraged from nor penalized for proposing activities that could have a big impact of affordable homeownership over time. At the same time, such efforts should be described in Enterprise plans with a sufficient level of specificity and be measurable and time-bound, and FHFA's evaluation guide should provide clear indications of how progress will be assessed.

LIHTC equity investments

Question 41 seeks comment on whether the Enterprises should be permitted to resume equity investments in Low Income Housing Tax Credits (LIHTCs) as one way to meet the grants and investments assessment factor in the Duty to Serve rule. As FHFA notes, the Enterprises invested significantly in LIHTC equity but completely stopped providing investment before they entered conservatorship in 2008. When the Enterprises suddenly withdrew from the LIHTC equity investment market, they caused disruption in the market, and over time, the private market stepped into the LIHTC equity investment vacuum. We have been unable to find data that shows definitively that there is a need for Enterprise involvement to stimulate the LIHTC equity market in underserved areas, though we have heard anecdotally that there may be some areas where finding good LIHTC deals is difficult.

On the other hand, investments in LIHTCs can be the most direct and impactful way for the Enterprises to increase or preserve the supply of existing affordable housing, since mortgage financing alone has a

[13] Enterprise Duty to Serve Underserved Markets; Proposed Rule. See p 79204.

more limited impact on such housing's total development costs and the deployment of Enterprise capital in equity can be a more efficient means to the same end.

Given the lack of data and the relative good health of the private LIHTC equity investment market, we believe the Enterprises should be permitted to make LIHTC equity investments in the context of the Duty to Serve rulemaking generally only if market conditions change and there is no longer robust demand among private investors for LIHTC credits or if the supply of LIHTC credits expands significantly.

That said, in order for the Enterprises to support the LIHTC equity market in the future, FHFA may want to consider allowing them to play a small, targeted role now so that they can have infrastructure in place to ramp up activity if necessary in the future. Should FHFA allow the Enterprises to return to the LIHTC equity market it should cap the Enterprises' share in the market and require any LIHTC equity investments completed by the Enterprises to be targeted to underserved areas where Enterprise support is most needed, including in high-needs rural geographies such as Indian Country. The Underserved Markets Plan that proposes such an activity should include specific information and data on the gaps that Enterprise LIHTC purchases would fill, and identify measurable benefits that are projected as a result of such investments and that can be tracked and reported.

FHFA should require an Enterprise to demonstrate clearly how its involvement as an equity investor in an underserved area of the LIHTC market would help that area in order to receive Duty to Serve credit for that investment. They should detail what tangible benefits Enterprise participation would yield for sponsors and how the Enterprise would measure and report on this. We understand that the Enterprises may advocate for broader involvement in the LIHTC market in order to manage risk, but given current private market activity in LIHTC and the lack of data demonstrating clear need for Enterprise involvement or the benefit their participation would provide to underserved communities, we support Enterprise LIHTC equity investments only within the constraints discussed.

The affordable housing preservation section of the Duty to Serve rule provides a powerful opportunity to promote neighborhood stabilization efforts. We strongly believe that FHFA should provide Duty to Serve credit for Enterprise activities that support state and local neighborhood stabilization programs, and we point to the comment letter submitted by the Neighborhood Community Stabilization Trust (NCST) and the Center for Community Progress for examples on how FHFA can support stabilization efforts. As NCST and the Center for Community Progress note in their comments, the Duty to Serve rule is also an opportunity to support housing counseling. FHFA should require housing counseling from an accredited counseling organization as a condition for Duty to Serve credit when evaluating Enterprise purchases of loans to owner-occupant homebuyers in neighborhoods requiring stabilization.

Rural markets

FHFA's proposed Duty to Serve rule has several elements that could stimulate housing in rural areas. We support the general direction of the rule and commend several improvements from the 2010 proposed rule. However, we believe FHFA needs to make a few targeted changes in order to more effectively promote housing in rural areas.

Definition of 'rural'

Question 70 seeks comment on which of the four definitions of rural discussed by FHFA in its rulemaking would better serve Duty to Serve objectives. We understand the complexity of creating a definition that accurately captures rural areas. We also understand the importance of taking the Enterprises' geocoding abilities into account in order to align the definitions of rural in the primary and secondary markets. An optimal definition of rural for the Duty to Serve rule would exclude large swaths of suburban areas that are not truly underserved and that might be relatively easy for the Enterprises to support. At the same time, an optimal definition would *not* exclude underserved rural towns through its criteria. A good definition would also rely on a geographic metric smaller than the county level. Finally, it should be a definition that is easily understood and used by primary market lenders. Accordingly, we support the definition proposed by FHFA in the Duty to Serve rule given certain tweaks suggested by the Housing Assistance Council (HAC) in its comments.

In the proposed rule, FHFA considers a rural area as either a census tract outside of a metropolitan statistical area (MSA), or a census tract inside an MSA but outside that MSA's Urbanized Areas and Urban Clusters, as determined by the Rural-Urban Commuting Area (RUCA) codes set by the U.S. Department of Agriculture (USDA). It appears that FHFA is using RUCA Codes 1, 4, and 7 to determine Urbanized Areas and Urban Clusters. We agree with HAC that it may be possible for "micropolitan area cores" (RUCA code 4) and "small town cores" (RUCA code 7) to be rural in character. Under the current definition of rural, these areas would be excluded from the rural definition. At the same time, some suburban areas may be included in the currently proposed definition.

FHFA should tweak its proposed definition of rural in order to ensure that underserved rural towns are not excluded and to prevent better-served suburban areas from being included. FHFA should research and consider HAC's suggestion for addressing these concerns: defining "rural" as a) a census tract outside of an MSA or b) a census tract inside an MSA that is outside of RUCA code 1 and outside of RUCA code 2, if it has a housing density of over 64 housing units per square mile.

High-needs regions and populations

Question 72 seeks comment on whether Enterprise support for housing for high-needs rural regions and high-needs rural populations should be a Regulatory Activity. We strongly support FHFA's decision to designate activities that support high-needs populations and high-needs areas as a Regulatory Activity in the Duty to Serve rule. Given the complexities of finding an accurate and effective definition of "rural," FHFA's decision to designate support for high-needs rural populations and high-needs rural regions as a Regulatory Activity is especially important. The provision focuses Enterprise Duty to Serve activity toward the most underserved within a definition of rural that is inevitably complex. In the past, the Center for American Progress has encouraged FHFA to consider giving extra weight to Enterprise efforts in particularly underserved rural regions, including Central Appalachia, the border colonias, the lower Mississippi Delta, the rural Southeast, and tribal areas, and we are pleased by this change in the Duty to Serve rule.

Question 77 asks whether there are high-needs rural regions and/or high-needs rural populations in addition to those identified in the proposed rule that should be included in the rural section of the Duty to Serve rule and if so, whether they should be defined to receive Duty to Serve credit. We propose one addition to the definition of high-needs rural regions used in the rule: In addition to the three areas

designated under the rule – Middle Appalachia, the Lower Mississippi Delta, and colonias – FHFA should also consider the rural areas in a strip of persistent poverty counties across the southeastern United States, located in a region known as "the Black Belt" as a fourth high-needs rural region. The Black Belt has high levels of rural poverty, and at one point the Economic Research Service within USDA suggested the region could potentially benefit from its own commission for economic development, like the Appalachian Regional Commission.[14] A map of nonmetro "persistent poverty counties" – those with 20 percent or more of their populations living in poverty over the last 30 years – seems to overlap with each of the three high-needs regions currently outlined in the rule. A strip of nonmetro persistent poverty counties going through Mississippi, Alabama, Georgia, South Carolina, and North Carolina, however, is noticeably left out.[15] In order to avoid overlap with the lower Mississippi Delta and with middle Appalachia, FHFA could look specifically at rural areas in persistent poverty counties in the Southeastern region for this fourth high-needs rural region. FHFA should collaborate with USDA and with service providers in this area to best target and define the high-needs region.

It may take creativity and additional resources for the Enterprises to serve the high-needs rural populations and high-needs rural areas, and FHFA should ensure that the Enterprises address these populations and areas adequately in their Underserved Market Plans. Given the challenges to serving these populations and regions, we have some concern that Enterprises may choose to instead focus their proposed activities on 'Additional Activities' through additional loan purchases, liquidity, or investments for rural communities. We support and encourage the Enterprises to propose Additional Activities to serve rural areas in their proposed underserved market plans, but FHFA should ensure that they do not neglect their regulatory requirement to support the specified high-needs rural populations and high-needs rural regions.

Enterprise support for rural areas

Question 37 seeks comment on how the Enterprises can support USDA's Section 515 program, which provides loans to developers to build multifamily rental housing for very low-income, low-income, and moderate-income families, for elderly people, and for people with disabilities. Starting with Fiscal Year 2012, USDA has used all of its Section 515 funding to preserve existing Section 515 units, but many Section 515 units face deterioration and/or have their affordability terms about to mature.[16] Enterprise support for the program could provide a critical support to rural areas.

In order to support Section 515 affordable properties, the Enterprises should continue purchasing loans used in Section 515 preservations. They can additionally consider a few other ways to support the

---

[14] Samuel D. Calhoun, Richard J. Reeder, and Faqir S. Bagi, "Federal Funds in the Black Belt," *Rural America* 15 (1) (2000): 20-27, available at https://wayback.archive-it.org/5923/20120311010030/http:/ers.usda.gov/publications/ruralamerica/ra151/ra151d.pdf; and, Dale W. Wimberley, "Quality of Life Trends in the Southern Black Belt, 1980-2005: A Research Note," *Journal of Rural Social Sciences* 25 (1), 2010: 103-118, available at http://www.ag.auburn.edu/auxiliary/srsa/pages/Articles/JRSS%202010%2025/1/JRSS%202010%2025%201%20103-118.pdf.

[15] United States Department of Agriculture Economic Research Service, "Rural Poverty and Well-Being," (2015), available at http://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/geography-of-poverty.aspx (last accessed March 2016).

[16] Leslie R. Strauss, Housing Assistance Council, "USDA Rural Rental Housing Programs," National Low Income Housing Coalition (2015), available at http://nlihc.org/sites/default/files/Sec4.11_USDA-Rural-Rental_2015.pdf.

preservation of Section 515 projects. First, they could consider purchasing mortgages that have subordinate debt coming from reamortized 515 loan obligations, as this kind of mortgage is one way to preserve such properties. And given the small nature of many Section 515 multifamily properties, the Enterprises could also explore whether allowing small Section 515 properties to be bundled and financed together could better help preserve them through scale. In addition to Section 515 loans, the Enterprises can provide critical liquidity by purchasing other key USDA loans, such as Section 502 single-family guaranteed loans and Section 538 multi-family guaranteed loans.[17] Both Enterprises currently purchase Section 502 single-family guaranteed loans.[18]

Question 73 seeks comment on which activities the Enterprises could undertake to provide liquidity and other support to high-needs rural regions and high-needs rural populations. Alongside the other high-needs populations, the rural portion of the Duty to Serve rule provides a critical opportunity to ensure Enterprise support for Native American communities. Activities the GSEs could perform for Duty to Serve credit include increasing their purchases of HUD Section 184 loans, which HUD guarantees 100% to promote mortgage financing for Native American and Alaskan Native tribal members, Alaska Villages, tribes, or Tribally Designated Housing Entities.[19] Both Enterprises currently purchase Section 184 loans.[20] The Enterprises can make an important impact in Native American communities by providing outreach and technical assistance to primary market lenders in order to counter hesitation lenders may have to providing finance for Native American communities, given their unique legal and market framework. Additionally, the Enterprises can provide similar outreach and support to Tribally Designated Housing Entities on Enterprise-supported financial products that may be available to them. The Enterprises should consider partnering with nonprofits that specifically help tribal authorities build the capacity, knowledge, and labor force needed to promote housing and finance in their communities.

Supporting nonprofits and other activities

Community organizations and nonprofits have stepped into a vacuum of housing services in rural communities[21], and the Enterprises should consider partnering with and investing in nonprofits that promote and preserve affordable housing in rural America. In addition, elements of other parts of the

---

[17] See: United States Department of Agriculture, "Multi-Family Housing Loan Guarantees," available at http://www.rd.usda.gov/programs-services/multi-family-housing-loan-guarantees (last accessed March 2016) and United States Department of Agriculture, "Single Family Housing Guaranteed Loan Program," available at http://www.rd.usda.gov/programs-services/single-family-housing-guaranteed-loan-program (last accessed March 2016).

[18] See: Fannie Mae, "Selling Guide: Fannie Mae Single Family" (Feb 23 2016) available at https://www.fanniemae.com/content/guide/sel022316.pdf, p 910; and Freddie Mac, "Freddie Mac Single Family," Chapter 4205.1, "Section 502 GRH Mortgages (03/02/16)," available at http://www.freddiemac.com/singlefamily/guide/.

[19] See: U.S. Department of Housing and Urban Development, "Section 184 Indian Home Loan Guarantee Program," available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/ih/homeownership/184 (last accessed March 2016).

[20] Freddie Mac, "Freddie Mac Single Family," Chapter 4205.3, "Section 184 Native American Mortgages (03/02/16)," available at http://www.freddiemac.com/singlefamily/guide/; Fannie Mae, "Selling Guide: Fannie Mae Single Family," available at https://www.fanniemae.com/content/guide/sel022316.pdf, p 908.

[21] Gillian B. White, "Rural America's Silent Housing Crisis," *The Atlantic*, January 28, 2015, available at http://www.theatlantic.com/business/archive/2015/01/rural-americas-silent-housing-crisis/384885/.

Duty to Serve rule are important for the rural housing market. For instance, strategies that effectively serve the manufactured housing market would have a significant impact on rural areas; rural America is home to more than half of all manufactured housing.[22] As with USDA's Section 515 program, strategies that promote affordable housing preservation are also crucial for rural communities.

Residential economic diversity

We strongly applaud FHFA's decision to include an incentive for residential economic diversity in the Duty to Serve rule. Recent research by Raj Chetty shows that exposure to areas of opportunity can significantly impact children's likelihood of achieving economic mobility.[23] At the same time, high poverty neighborhoods have disproportionate shares of Black and Latino people, and neighborhoods with higher poverty are more likely to be racially isolated.[24] Last July, President Obama's administration finalized the affirmatively furthering fair housing rule, which requires localities to assess their levels of segregation and concentrated poverty and create plans to reverse trends in segregation in order to receive federal funds for housing.[25] The basis for the affirmatively furthering fair housing rule is the Fair Housing Act of 1968, and all federal regulatory agencies, including FHFA, are required to comply with the fair housing statute. This means that FHFA has a statutory obligation to work to actively reverse longstanding trends we continue to see in segregation.[26] Given these factors, it is imperative that FHFA include an incentive – if not a requirement – for the Enterprises to promote residential economic diversity.

We strongly support the inclusion of extra credit for activities that promote residential economic diversity in the Duty to Serve rule. Nevertheless, a few changes could make the provision tighter and more impactful.

Question 82 seeks comment on whether FHFA's proposed definition of "high opportunity area" is the most appropriate. We believe that FHFA's definition of "high opportunity area" in the proposed rule, which relies exclusively on the Difficult Development Areas (DDAs) set by the U.S. Department of Housing and Urban Development (HUD), does not adequately capture opportunity. HUD's DDA designation primarily gauges areas that have high construction, land, and utility costs relative to area median gross income.[27] Basing "opportunity" simply on the cost of developing an area does not capture the whole picture; several indicators inform the opportunity of an area. In December 2015, for example, the Center for American Progress released a report that created an opportunity index based on a host of

---

[22] Housing Assistance Council, "Preserving Affordable Manufactured Home Communities in Rural America."
[23] The Equality of Opportunity Project, available at http://www.equality-of-opportunity.org/ (last accessed March 2016).
[24] The Leadership Conference on Civil and Human Rights, "Forty Years After the Passage of the Fair Housing Act, Housing Discrimination and Segregation Continue." In The Leadership Conference, "The Future of Fair Housing: Report of the National Commission on Fair Housing and Equal Opportunity," (2008), available at http://www.civilrights.org/publications/reports/fairhousing/forty-years.html.
[25] Shiv Rawal, "Progress on Housing Segregation Could Be Victim of Bill to Keep the Government Open," *ThinkProgress*, December 1, 2015, available at http://thinkprogress.org/economy/2015/12/01/3726918/housing-segregation-shutdown/.
[26] See: Jeff Nesbit, "Study of Census Data Finds a Segregated America, Especially for Blacks," *U.S. News and World Report*, July 24, 2012, available at http://www.usnews.com/news/blogs/at-the-edge/2012/07/24/study-of-census-data-finds-a-segregated-america-especially-for-blacks.
[27] 26 U.S.C. § 42(d)(5)(iii) available at https://www.law.cornell.edu/uscode/text/26/42.

indicators: high-wage jobs, short commuting times, access to supermarkets, fresh vegetable grocery stores, and financial institutions, low high-school drop-out rates, low poverty and unemployment rates, and low neighborhood transition rates.[28]

We understand there are operational challenges that may arise in developing a similarly comprehensive definition at the federal level, and beyond the Duty to Serve rulemaking, FHFA should coordinate with HUD for a better federal measure of opportunity. Meanwhile, FHFA should explore additional ways to tweak the proposed definition so that it more accurately assesses opportunity. FHFA should consider pairing its DDA metric with a poverty indicator so that its measure of opportunity would at the very least account for difficult-to-develop areas that are *also* low-poverty. Creating a hybrid definition that includes a poverty indicator could better ensure that residential economic mobility efforts actually go to places with opportunity.

FHFA could also consider better targeting the DDA designations. Currently, HUD limits its designation of DDAs to 20% of the highest cost areas nationally. FHFA may want to consider requesting that HUD generate a list of DDAs based off of 20% of zip codes with the highest costs in *each* metro area for the Duty to Serve rule. This could allow more areas of high opportunity to be included and would not take a heavy operational lift for HUD and FHFA.

Question 87 seeks comment on how FHFA could determine whether Enterprise activities are part of or contribute to revitalization plans in areas of concentrated poverty, and whether existing federal designations such as the Promise Zones initiative or the Choice Neighborhoods Initiative are useful in this regard. We believe that in place of mixed-income housing in areas of concentrated poverty, FHFA should allow Duty to Serve extra credit for activities that promote affordable housing or mixed-income housing in areas of concentrated poverty when efforts are tied to the Choice Neighborhoods or Promise Zones initiatives, two neighborhood stabilization and community revitalization programs. There are many more revitalization programs at the state or local level that do not fall within these two programs, but state definitions of 'community revitalization plan' are not always as targeted or clear as they should be.[29] Given these loose definitions, we have concerns that if FHFA uses state definitions of revitalization plans, then residential economic diversity extra credit could be awarded for Enterprise activity that does not promote mobility. As with "opportunity," FHFA should coordinate with HUD to refine a more targeted definition of revitalization that accounts for variation between the states.

We note that the housing goals track Enterprise performance in financing mortgages in "underserved areas," which are specifically defined in the housing goals rule. This definition was tweaked in HERA to make it more consistent with the requirements for lending under the Community Reinvestment Act (CRA) for primary market lenders in order to align the incentives for both primary and secondary markets. FHFA should address how it expects the underserved areas housing goal and the incentives for

[28] David Sanchez and others, "An Opportunity Agenda for Renters: The Case for Simultaneous Investments in Residential Mobility and Low-income Communities" (Washington: Center for American Progress, December 2015) available at https://cdn.americanprogress.org/wp-content/uploads/2015/12/16050037/LowIncomeRenters-report6.pdf.

[29] See Enterprise Duty to Serve Underserved Markets; Proposed Rule. See p 79204; and, see: Jill Khadduri, "Creating Balance in LIHTC Developments: The Role of Qualified Allocation Plans" (Poverty and Race Research Action Council: February 2013) available at http://www.prrac.org/pdf/Balance_in_the_Locations_of_LIHTC_Developments.pdf.

increasing economic diversity to interact with one another and with the CRA requirements imposed on primary market lenders.

Evaluation and scoring of Underserved Markets Plans and results

The proposed rulemaking would require FHFA to provide the Enterprises with an "evaluation guide" that would detail how each plan will be evaluated, which would be provided 30 days prior to the start of the program year on January 1, except in the first year of implementation. It further proposes to assign potential points from a maximum of 10 to a minimum of 0 for each of the activities proposed in the plan, to total no more than 100 for each of the three required underserved market plans. Progress against each activity would be assessed in each evaluation year and assigned a numeric value. The total of these values in each Market would be translated to one of four overall ratings.

Questions 80 and 81 request comment on whether FHFA should adopt the proposed methodology for scoring and assessing progress or use an alternative model, and whether the four proposed rating tiers should be adopted or changed. It is extremely important that FHFA's assessment of Enterprise success in fulfilling the Duty to Serve requirements be as closely tied as possible to the specific, measurable and time-bound objectives that are required in the Underserved Markets Plans, as we note earlier in our comments. While the statute prevents FHFA from setting specific goals, the Enterprise plans should be specific in detailing what they will do, what outcomes they expect to achieve, and how they will measure the success or failure of each proposed activity. FHFA's evaluation guide similarly should provide a clear explanation of how such activities will be assessed.

We strongly suggest that FHFA expand the proposed four ratings categories to five – "Exceeds," "High Satisfactory," "Satisfactory," "Low Satisfactory," and "Fails." This expansion will enable FHFA to apply a more nuanced approach to its review of Enterprises' activities under their respective Plans. It also gives more flexibility in how the proposed extra credit for activities that promote residential economic diversity can be applied. Success in this factor could move an Enterprise from "Low Satisfactory" to "Satisfactory," for instance, which is a more nuanced and effective way of encouraging Enterprises to focus on this factor.

We are concerned that the methodology in the currently proposed Duty to Serve rule requires too many steps and too much subjective judgment in assigning numeric values and then translating those into overall performance ratings. Instead, we recommend that FHFA adopt the substance of the proposed assessment but eliminate the proposed numeric scoring exercise in favor of a direct assessment of progress in each objective based on the Enterprises' success in meeting the objectives they lay out in their Plans. In this model, FHFA could maintain the five ratings we have suggested, but instead of requiring a two-step process of assigning numeric values against progress and then re-assigning a rating based on summing them, it would assign a rating to the Enterprises' progress directly.

We strongly support the proposed requirement for FHFA to provide an Evaluation Guide to the Enterprises for each program year. This guide should be published so the public understands the proposed basis for evaluating Enterprise efforts. It also should specifically address how FHFA will assess success or failure in each of the proposed activities, specify how extra credit will be assessed under the residential economic diversity provision, and provide guidance from FHFA based on its review and public comments on which areas should receive the highest priority and level of effort from the Enterprises.

FHFA's Evaluation Guide should propose evaluating Enterprise results with these recommendations from public comments in mind.

In addition to the five ratings, FHFA should consider including specific observations about Enterprise progress in each of the Core Activities, including where progress was greater than expected, or yielded unexpected results, or where Enterprise actions failed to meet the specific outcomes in their plan and whether market conditions or other factors played a role in this result.

The evaluation for each rating will be different for each of the Assessment Factors. The Loan Purchase Assessment and Investments and Grants Assessment Factors lend themselves to quantitative and measurable progress against the proposed results in terms of number of loans acquired/financed. As noted earlier in this comment, the Enterprise plans for these two areas should be specific with respect to their goals and expected outcomes. The proposed ratings should be applied in both instances through evaluating the progress in achieving these objectives, e.g., "Exceeds," "High Satisfactory," etc. In these two areas the degree of difficulty in achieving the results should be a factor in setting the goals in each area and therefore in the goal itself. FHFA's review of the proposed Plan and its Evaluation Guide should take note of the degree to which the proposed outcomes represent significant increases in loan purchases. The review should also take into account and note where appropriate whether market conditions, participation by primary lenders, or other factors affected the Enterprises' ability to meet their stated objectives. This assessment will depend on the type of financing each objective represents and how it reflects the baseline level of effort from which increased activity will be assessed, and this should be part of an Enterprise's proposed Plan so that FHFA has a basis on which to judge success.

The Outreach and Loan Product Assessment Factors will have a larger share of objectives and outcomes that will involve measures of activity as well as specific results. In providing its proposed activities for each of the Markets, the Enterprises' plans should emphasize specific activities with measurable benchmarks against which they and FHFA will measure success. For instance, if lender education and training is one of the objectives in a Market plan, the plan should specify the content and duration of the training, the number of events or meetings planned, etc., along with a timetable for when different components of these activities will be completed. The assessment should take into account the degree to which these goals were met and the extent to which they increased Enterprise activities compared with ongoing efforts already underway and assign an appropriate rating. FHFA also should take into account whether and how the proposed outreach and loan product activities lead to loan purchases or securitizations, or the refinement of loan products in ways that directly affect the Enterprises' success at providing liquidity to these market segments.

As we have recommended above, FHFA should consult with members of the public and industry throughout the program years covered by these plans in order to solicit observations and feedback on the Enterprises' progress in meeting their Duty to Serve obligations. These conversations would provide FHFA an opportunity to identify areas in which primary market cooperation and take-up of products or services offered through the Plans is hindering or facilitating their success. This could lead to proposed modifications to the Plans, or other actions that could support the Plans' success. If the Enterprises produce modifications to loan products that do not increase their use by lenders, that fail to overcome identified obstacles, or that introduce complications that discourage their use, then Duty to Serve credit should be limited. Ongoing consultation with these lenders will help FHFA gauge Enterprise progress throughout the Plan period.

We propose that FHFA use five ratings rather than the proposed four to assess Enterprise performance in each Market. This offers one means through which FHFA can specifically take into account the extra credit it proposes for activities that increase economic diversity. This should be specifically noted in the Enterprise plans and in the FHFA Evaluation Guide. An Enterprise result in the Loan Purchase Assessment Factor, for instance, might fall short of the absolute goal the Enterprise established, but reflect a significant increase in such purchases in the specified areas of economic diversity. This could be the basis for assigning a "high satisfactory" rather than "low satisfactory," or even be the deciding factor between "fails" and "low satisfactory." We believe our scoring recommendation would allow FHFA to measure underlying efforts in each assessment factor against the Enterprises goals in their Underserved Market Plans while also incenting the Enterprises to promote residential economic diversity.

While this recommendation may seem to reduce the specificity and transparency of FHFA's assessment of Enterprise success, we believe that the method in the proposed rulemaking presents challenges in assigning values for results and then translating them back into broad assessment ratings that will not increase FHFA's, the Enterprises', or the public's understanding of the Duty to Serve's success. Unlike the housing goals, which require specific performance against numeric goals, the Duty to Serve requirement is designed to encourage innovation and actions that may yield results only over time, or in ways that are not easily assessed numerically. If the goals established in the plans meet FHFA's proposed standards they should lend themselves to the assessments we recommend without requiring the imposition of the numeric conversions proposed in the rule.

The Duty to Serve proposed rule would require quarterly reports on the loan purchase assessment factor and semi-annual reports on the other assessment factors. We support this approach.

The Center for American Progress, Consumer Federation of America, and other undersigned organizations or individuals strongly support major improvements FHFA made in its most recently proposed Duty to Serve rule. By incorporating the changes we recommend, we believe FHFA can ensure the Enterprises more effectively and powerfully fulfill their statutory duty to support underserved markets. We thank you again for the opportunity to comment on the Duty to Serve rule. If you have any questions or would like any further information on our suggestions, please contact Shiv Rawal at srawal@americanprogress.org.

Sincerely,

Center for American Progress

Consumer Federation of America

Consumer Action

National Council of La Raza

Ellen Seidman