Council for Affordable and Rural Housing

Serving the Affordable Housing Needs of Rural America

October 21, 2024

Federal Housing Finance Agency
Division of Housing Mission and Goals
400 7th Street, SW, Eighth Floor
Washington, DC 20219

Re: 2025-2027 Housing Goals for Fannie Mae and Freddie Mac

To Whom It May Concern:

The Council for Affordable and Rural Housing ("CARH") appreciates the opportunity to provide its input regarding Fannie Mae and Freddie Mac's (the "Agencies") 2025-2027 Underserved Markets Plans (each a "Plan" and collectively, the "Plans").

CARH represents for-profit and non-profit companies providing affordable rural rental housing throughout America. For over 40 years, CARH has served as the nation's premier association for participants in the affordable rural housing profession, including builders, owners, developers, managers, non-profits, housing authorities, syndicators, accountants, architects, attorneys, bankers, and companies that supply goods and services to the industry. CARH is the only association that solely represents the needs of the entire rural affordable housing industry.

Through one of its members, CARH was pleased to participate in the 2024 Duty to Serve Public Listening Sessions hosted by the Federal Housing Finance Agency ("FHFA") and applaud FHFA for hosting these sessions.

In rural areas throughout the country, there continues to be an overwhelming need for both affordable and decent housing. The need for rental housing is even more acute. With lower median incomes and higher poverty rates than homeowners, many renters are simply unable to find decent housing that is also affordable. The Section 515 rural multifamily housing and Section 514 farm labor multifamily properties are a lynchpin for affordable rural housing. Poverty rates in rural areas are substantially higher than in urban areas. Therefore, rental assistance under the Section 521 Rental Assistance program is essential for many family and elderly households residing in rural America. At the same time, most federally supported multifamily properties are over 40 years old and are ready for modernization. These properties have suffered from federal funding shortages and statutory and regulatory barriers that make recapitalization difficult or impossible. Over the next decade, as many as three-quarters of all Section 515 mortgages will mature, and with it the end of related Section 521 RA contracts, stranding approximately 250,000 families and elderly persons and leaving them without the ability to house themselves.

We appreciate that Fannie Mae's Plan includes the goal of financing the preservation of 85 units of Section 515 housing each year from 2025-2027. Fannie Mae also plans to continue their support for Section 515 preservation technical assistance, with a goal of delivering technical assistance to 30 organizations each year, which represents an increase from the 20 per year goal from their previous Plan. However, given the fact that Fannie Mae was able to finance the preservation of nearly 250 units in 2023, we do feel that the goal to finance the preservation of 85 units per year is too low given the critical need to preserve Section 515 mortgages before more mature. CARH is also concerned that switching to units instead of properties/loans as the metric for this goal could inadvertently result in Fannie Mae pursuing only preservation deals on larger properties to minimize the number of deals needed to meet their goal.

Freddie Mac mentions that they will continue to offer their Section 515 preservation product but does not include any specific USDA Section 515 preservation goals in their proposed 2025-2027 Plans. We are disappointed to see Freddie Mac not set forth any specific Section 515 preservation goals in their proposed 2025-2027 Plan and strongly believe that Freddie Mac should add Section 515 purchase goals back into their proposed 2025-2027 Plan before it is approved by the FHFA given the critical need for affordable housing in rural communities.

We recommend that FHFA require Fannie Mae to increase the targeted number of Section 515 units assisted by loan purchase products and FHFA should require the creation of a similar loan product at Freddie Mac. CARH also encourages the Agencies to continue providing technical assistance to Section 515 owners given that public agencies and nonprofits will require assistance to navigate USDA's new "decoupling" program to obtain standalone rental assistance. We believe that the Agencies can play a critical role in ensuring that rural rental housing remains affordable, and residents receive the assistance they need.

CARH also requests similar support for the inclusion of Section 514 loans and participation in Section 538 loans into the Plans. Section 514 loans support properties that provide much needed housing to domestic farm laborers, a population with historically high needs. Additionally, many developments in rural communities are not feasible without the support of Section 538 loan guarantees. Given the similar regulatory barriers that have impacted the Section 515 program, refinancing of properties with Section 514 loans and developments with Section 538 loan guarantees is challenging. These programs provide critical housing to high-needs communities and populations, and we strongly encourage and support the inclusion of these programs into the Plans.

According to its Plan, Freddie Mac plans to engage in 20 rural Low-Income Housing Tax Credit ("LIHTC") transactions each year in 2025-2027; however, this is below the 26 transactions Freddie Mac completed in 2023. CARH recommends that the 2023 transactions be used as the baseline and that Freddie Mac increase their planned number of transactions year-over-year. Fannie Mae's proposed Plan includes wide ranges for rural LIHTC equity investments in each of the three Plan years (16-30 transactions in 2025, 23-45 in 2026, and 27-55 in 2027). We suggest they instead set the high end of each range as the target, so they do not inadvertently just strive to meet the low end of the range each year.

While we understand that the Agencies are waiting on clarification from Treasury on whether they are considered Tax-Exempt Controlled Entities ("TECEs") under the Internal Revenue Code, any withdrawal from the rural LIHTC market will have a negative impact on rural areas. CARH strongly supports the Treasury to clarify that the Agencies are not TECEs, and we hope a clarification will be made in a timely manner. In the meantime, we encourage both Agencies to set higher LIHTC equity investment targets.

Our members support the increased commitment to LIHTC investment and commend the Agencies for recognizing the impact that the Community Reinvestment Act ("CRA") has on investment in rural markets. Rural areas, particularly those with high needs, have traditionally struggled to attract private investment. This struggle is increasingly more difficult in non-CRA-eligible geographic areas. The Agencies' involvement in LIHTC investment in these rural areas is critical to bridging these disparities. CARH encourages the Agencies to continue to work toward ways to increase investment in often over-looked communities. The Agencies participation in LIHTC investment creates an extra option for affordable housing developers and lenders seeking additional, efficient investors, and will help to bring the LIHTC equity pricing in high-needs areas more in line with national averages.

CARH has previously commented in support of the Agencies' rural roundtable meetings, and we reiterate our support for continuing and expanding these meetings. Meeting with stakeholders in rural communities is essential to understanding and overcoming the unique barriers that these communities face.

We appreciate your time and attention to this matter, and the opportunity to submit these comments.

Sincerely,

Colleen M. Fisher

Colleen M. Fisher
Executive Director

cc: Nicholas P. Tsimortos, Esq.