

October 25, 2021

Federal Housing Finance Agency  
Sandra Thompson, Acting Director  
Office of the Director  
400 7th Street SW, 10th Floor  
Washington, D.C. 20219

Re: Request for Information on Equitable Housing Finance Plans

Dear Acting Director Thompson:

Thank you for the opportunity to respond to this Request for Information (RFI) on the Federal Housing Finance Agency's (FHFA) proposal to require Equitable Housing Finance Plans for Fannie Mae and Freddie Mac. I am writing on behalf of Opportunity Finance Network, a trade association of over 350 community development financial institutions (CDFIs).

CDFIs are experienced housing lenders with deep expertise reaching low wealth markets. In fiscal year (FY) 2019, certified CDFIs made more than 600,000 housing loans totaling more than \$56 billion.<sup>1</sup> CDFIs have cumulatively developed or rehabilitated more than 2.1 million housing units. With cumulative net charge off rates of less than 1 percent, CDFIs lend prudently and productively in markets underestimated by mainstream banks.<sup>2</sup> For nearly 40 years, CDFIs have provided responsible, affordable capital where it is needed most and working toward more equitable access to capital. CDFI customers are 84 percent low-income, 60 percent people of color, 50 percent women and 26 percent rural,<sup>3</sup> many of the same target groups FHFA is looking to address in the Equitable Housing Finance Plans.

This is a unique moment with the opportunity to commit to addressing the nation's housing issues and to tend to the problems that we have left unaddressed for too long. The COVID-19 pandemic has exacerbated existing problems in affordable housing and now is the time to invest and go deeper into the communities across the country that have faced decades of underinvestment.

CDFIs are the adaptable partners the federal government needs to address the wide range of housing issues unique to each community. The rural, urban, and Native communities where CDFIs work need a local approach to meet their needs. CDFIs have decades of on-the-ground experience working on the full spectrum of housing issues, from constructing affordable rental housing, to renovating outdated housing stock and making properties more energy efficient, to construction of senior housing, to providing mortgages, technical assistance, and facilitating down payment assistance on the path to homeownership. CDFIs already work with a variety of public and private resources.

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<sup>1</sup> Opportunity Finance Network, "2019 CDFI Fund Annual Certification Reporting Database", Accessed November 19, 2020.

<sup>2</sup> Opportunity Finance Network, "Impact Performance", <https://ofn.org/impactperformance>

<sup>3</sup> Opportunity Finance Network, "Impact Performance", <https://ofn.org/impactperformance>



OFN is pleased that FHFA is increasing its focus on ensuring Fannie Mae and Freddie Mac (the Enterprises) are prioritizing equitable housing. We look forward to working with FHFA and the Enterprises to provide additional feedback as these plans are developed and implemented. Below are responses to some of the key questions outlined in the RFI.

## **7. How can the Enterprises and FHFA ensure that actions taken under the plans provide sustainable housing opportunities and are consistent with safety and soundness?**

FHFA and the Enterprises can provide sustainable housing opportunities through partnership with CDFIs. CDFIs are prudent lenders with cumulative net charge off rates of less than 1 percent in markets underestimated by mainstream banks. CDFI customers are 60 percent people of color, providing a clear avenue for the Enterprises to reach communities of color and address racial inequity in the housing market.

CDFIs are the partner that the Enterprises need to reach their target communities. The role of CDFIs as a conduit for the federal government to reach underserved communities is well established. During the COVID-19 crisis, the Small Business Administration turned to CDFIs when the program was not reaching minority owned and very small businesses and CDFIs stepped up to outperform mainstream banks.<sup>4</sup> Congress recognized the crucial role CDFIs would play in the recovery and appropriated \$1.25 billion in Rapid Response Program grants. CDFIs have also participated in or helped administer a variety of state and local response programs across the country.

An impactful way to partner with CDFIs would be to allow the Enterprises to make equity investments in CDFIs. Many CDFIs still lack access to the capital markets supported by the housing finance system. In part because of this lack of access, CDFI housing lenders experience liquidity challenges that inclusion in more mainstream sources of housing finance could help solve. Allowing Fannie Mae and Freddie Mac to make direct equity or equity-like investments in CDFIs will enable CDFIs to manage risk and their balance sheets more effectively. These flexible investments would provide much needed liquidity to support the specialized lending done by CDFIs and support training and technical assistance needed to build the capacity of lenders working in difficult-to-serve markets.

OFN was also pleased to see FHFA raise the equity cap for Fannie Mae's and Freddie Mac's investments into the Low-Income Housing Tax Credit (LIHTC). The total cap of \$1.7 billion (\$850 million for each entity), an increase of \$700 million from the existing cap, will increase the availability of low-income housing in the areas of the highest need. Creating new affordable rental opportunities must be a critical component of a holistic approach for sustainable housing for communities of color. LIHTC is an important part of the capital stack CDFIs pull together to fund affordable housing projects. Developers, like some CDFIs, can sell the tax credit to investors to bring equity into a project. CDFIs also participate in loans on projects where a third-party developer is using the tax credit to provide equity while the

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<sup>4</sup> Opportunity Finance Network, CDFIs Continue to Outperform Other PPP Lenders <https://ofn.org/articles/cdfis-continue-outperform-other-ppp-lenders>



CDFI provides the debt portion of the financing. LIHTC has supported the creation or preservation of more than 3.5 million homes across the country. <sup>5</sup>

**9. How should the plans interact with Duty to Serve, Housing Goals, or other requirements?**

Now is a unique opportunity to address longstanding racial and economic inequities in our financial system. It is essential that the Equitable Housing Finance Plans meet this moment and truly work to move the Enterprises forward and increase equitable access to safe, affordable housing. These plans must build upon and strengthen the requirements under Duty to Serve, Housing Goals, and all other existing programs. Creating an Equitable Housing Finance Plan that either supplants or is repetitive of the existing requirements is not acceptable. OFN encourages FHFA to use these plans as an opportunity to create real accountability for the Enterprises with concrete and measurable goals.

**12. What communities and stakeholders should the Enterprises consult with in developing their plans?**

FHFA and the Enterprises should consult with CDFIs in the development of their plans. OFN stands ready to assist FHFA and the Enterprises in the development process with both our own expertise and as a convener of CDFIs to draw on the deep well of experience of our members.

Thank you again for the opportunity to provide comments on the development of the Enterprise's Equitable Housing Finance Plans and your commitment to addressing the inequities in our housing finance system. OFN looks forward to working with you on these issues. Please do not hesitate to contact me with any questions or if OFN can be of assistance to FHFA.

Sincerely,

Mary Scott Balys  
Senior Associate, Public Policy  
Opportunity Finance Network

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<sup>5</sup> ACTION, About the Housing Tax Credit, <https://rentalhousingaction.org/about-lihtc>