



We help build homes and communities across rural America.

July 21, 2023

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street SW, 10th Floor
Washington, D.C. 20219

RE: Fannie Mae's Rural LIHTC Duty to Serve Plan Modification

Dear Director Thompson,

The Housing Assistance Council (HAC) appreciates the opportunity to comment on Fannie Mae's proposed Duty to Serve Plan modification relating to their rural Low Income Housing Tax Credit (LIHTC) equity investment goals. HAC appreciates the work of the Federal Housing Finance Agency (FHFA) and the Enterprises on Duty to Serve in recent years. The true, yet-untapped potential of Duty to Serve requires the Enterprises to set ambitious goals and to be innovative and proactive in their rural work. For that reason, HAC opposes Fannie's proposed modification to decrease their rural LIHTC equity investment goal.

HAC helps build homes and communities across rural America. Founded in 1971, headquartered in Washington, D.C. and working in all 50 states, HAC is a national nonprofit and a certified community development financial institution (CDFI). We are dedicated to helping local rural organizations build affordable homes and vibrant communities. We provide below-market financing, technical assistance, training, and information services. HAC also serves as rural America's "Information Backbone" with leading public and private sector institutions relying on HAC's independent, non-partisan research and analysis to shape policy. Thus, HAC is uniquely positioned to provide comments on Duty to Serve in rural areas.

The Enterprises' return to the Low-Income Housing Tax Credit (LIHTC) equity market as a part of Duty to Serve has the power to boost LIHTC effectiveness in rural areas. However, both Enterprises need to commit to more ambitious rural LIHTC equity investments. Freddie Mac only proposes to make only 7 rural LIHTC equity investments in 2023, and Fannie Mae has requested a

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modification to decrease their rural LIHTC equity investment goal substantially this year (from 70 to 20-40).

The need for affordable housing in rural communities has not changed since this cycle of the Duty to Serve Plans were approved. In fact, in 2021, the FHFA recognized the value of the Enterprises' investment in LIHTCs when it raised limits on the Enterprises' LIHTC investments from \$500 million to \$850 million annually. Thus, HAC opposes Fannie Mae's request to decrease their rural LIHTC investment goal. Of the over 13,000 properties that received LIHTC allocations from 2006-2016, over one quarter were located in census tracts defined by the FHFA as rural. Notably, rural LIHTC properties were substantially smaller (44 units versus 88 units on average) and served a poorer population (94 percent low income versus 86 percent low income) than non-rural properties.

LIHTC pricing for developments in underserved, rural areas is often significantly lower, which results in less equity for rural properties. In 2016, a project in Fargo, North Dakota, earned \$1.05 per dollar of credits, while a project on the Turtle Mountain reservation located in rural, north central North Dakota garnered a price of \$0.82 per dollar of credits. This is in contrast to the \$1.20 price that LIHTC credits were able to fetch in cities like San Francisco and New York in 2016. While this specific pricing is out of date, the disparity it illustrates between urban and rural pricing is still relevant today. The Enterprises role in the rural LIHTC market must combat that inequity.

While we understand that the Enterprises are waiting on clarification from Treasury on whether they are considered Tax-Exempt Controlled Entities (TECEs) under the Internal Revenue Code, Fannie's retreat from the rural LIHTC market is already having a negative impact on rural areas. HAC has called on Treasury to clarify that the Enterprises are not TECEs, and we hope a clarification will be made in a timely manner. But in the meantime, the needs of rural communities have not changed, and the Enterprises should continue to be held to the goals they set forth for rural LIHTC equity investments.

Thank you for your time and consideration of these comments. We greatly value our partnership and look forward to continuing to work with FHFA and the Enterprises to address these important challenges.

Sincerely,

David Lipsetz
President & CEO

