Underserved Housing Markets & Opportunities Created by GSE Duty to Serve

Panel sponsored by FHLB Dallas (Silver Sponsor), Fannie Mae (Silver Sponsor) & Freddie Mac (Silver Sponsor)
About the FHLBanks

• FHLB System was created by an Act of Congress under the Hoover administration in July 1932
  ➢ The System provides capital for mortgage funding during the Great Depression

• Organized as a cooperative and owned by our members and associated institutions

• The 11 Home Loan Banks comprising the FHLB System provide liquidity and funding solutions to approximately 7,000 members – approximately 5,200 banks and thrifts

Dallas Members:
Arkansas: 88
Louisiana: 128
Mississippi: 76
New Mexico: 44
Texas: 473
WHAT’S THE STATUS OF DUTY TO SERVE?

CDBA: PEER TO PEER CONFERENCE

June 4, 2019
OVERVIEW – DUTY TO SERVE (DTS)

I. What is DTS?
II. How could DTS help?
III. What did DTS achieve in the first 6 months?
WHAT IS DTS?
PROGRAM OVERVIEW

KEY MILESTONES OF THE DUTY TO SERVE PROCESS

FHFA posts Evaluation Guidance

FHFA issues Non-Objections to Underserved Markets

Enterprises submit Underserved Markets Plans

Enterprises implement Plans

FHFA evaluates Enterprises’ performance

Enterprises report on progress

FHFA submits evaluations to Congress

START

PLAN DEVELOPMENT (every 3 years)

COMPLETE

PLAN IMPLEMENTATION & EVALUATION (yearly)
EVALUATION PROCESS

Step 1
- Quantitative assessment
- Determines pass or fail

Step 2
- Qualitative assessment
- Evaluates impact and implementation

Step 3
- Extra credit
- Upward adjustment for certain eligible activities

Rating
- Final rating
- Fails, Minimally Passing, Low Satisfactory, High Satisfactory, or Exceeds
Enterprises submitted their 2018 Annual Report to FHFA

Preliminary Scores (Step 1) of the Evaluation Process were completed.

Enterprises submit quarterly reporting (Q1 2019)

Impact Scores (Step 2) of the Evaluation Process are completed. FHFA computes a final rating for each underserved market

Fall Modifications Submission
HOW COULD DTS HELP?
HOW COULD DTS HELP MANUFACTURED HOUSING MARKETS?

1. Open a single family market where units average cost is $286,000 rather than $70,600.
2. Refinance & competitive terms for chattel loans.
3. Options for residents of manufactured housing communities.
HOW COULD DTS HELP RURAL MARKETS?

1. Mortgage credit access more comparable to urban areas
2. Allow small lenders to move their loans into the secondary mortgage market.
3. Begin bringing mortgage credit access to High Needs Rural Areas.
HIGH NEEDS RURAL AREAS

2018 High-Needs Counties for Duty to Serve Purposes

Legend
- Counties having colony(s)
- Counties having colony(s) and Persistent Poverty Counties
- Lower Mississippi Delta
- Lower Mississippi Delta and Persistent Poverty Counties
- Middle Appalachia
- Middle Appalachia and Persistent Poverty Counties
- Persistent Poverty Counties
- Not a High-Needs county
HOW COULD DTS HELP PRESERVATION MARKETS?

1. Increase liquidity for preservation & rehab of traditional multifamily rental programs (LIHTC, Sec. 8, Sec. 515)
2. Increase demand for SF & MF loans that enhance energy efficiency.
3. Create loan products to purchase or rehab distressed single family properties.
4. Create a market for “shared equity” loans that preserve affordable homeownership.
WHAT DID DTS ACHIEVE IN THE FIRST 6 MONTHS?
Thank you!

www.fhfa.gov/dts

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Single-Family Duty to Serve Program Update

Brian Culhane
Single-Family Affordable Lending Sales Director

June 2019
A Better Freddie Mac

...and a better housing finance system

For families
...innovating to improve the liquidity, stability and affordability of mortgage markets

For customers
...competing to earn their business

For taxpayers
...reducing their exposure to mortgage risks
Product Innovations and Flexibilities

Single Close on Manufactured Homes

Sweat Equity

Coming!

GreenCHOICE Mortgages™

CHOICERenovation™

Community Land Trust Mortgages
Meaningful Business Solutions

- Next Step® SmartMH℠ pilot
- NextJob® re-employment services
- IMAGIN
- Standardization and securitization
Education and Counseling for Success

- Potential homebuyers
- Housing counselors
- Lenders and appraisers
Industry-leading Insights

- Impact of energy-efficient features on home value and loan performance
- Manufactured housing consumer buying behaviors
- Potential effect of standardization on chattel financing
- Performance of home loans in high-needs rural areas
- Freddie Mac Rural Symposium
Community Development Bankers Association

Peer Forum
Tuesday, June 4, 2019
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