



FACT SHEET: FANNIE MAE & FREDDIE MAC DUTY TO SERVE PROGRAM

STATUTORY REQUIREMENT

The Federal Housing Finance Agency (FHFA) has issued a final rule to implement the Duty to Serve requirements specified in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing and Economic Recovery Act of 2008. The statute requires Fannie Mae and Freddie Mac (the Enterprises) to provide leadership to facilitate a secondary market for mortgages on housing for very low-, low-, and moderate-income families in three underserved markets specified in the statute:

- Manufactured housing
- Affordable housing preservation
- Rural housing

The statute requires FHFA to annually evaluate and rate each Enterprise's compliance with their Duty to Serve requirements and to report annually to Congress on FHFA's evaluations.

The final rule sets forth specific activities that the Enterprises may consider undertaking, at their discretion, to be eligible to receive Duty to Serve credit, and provides that the Enterprises may propose additional activities. The final rule does not mandate any particular activities. The final rule provides for the Enterprises to consider ways to better serve families in the three underserved markets.

UNDERSERVED MARKETS PLANS

Each Enterprise will submit to FHFA a proposed Underserved Markets Plan (Plan) by April 13, 2017 covering a three-year period, and the public will be invited to provide input on the proposed Plans. The proposed Plans will be posted on www.FHFA.gov/DTS, and the final Plans will be posted on the Enterprises' and FHFA's respective websites.

The Enterprises must assist each of the three underserved markets through activities, as specified in the Enterprises' Plans. There are nine Statutory Activities (enumerated in the Duty to Serve statute), and FHFA has identified fifteen Regulatory Activities. The Enterprises are required to consider a minimum number of Statutory or Regulatory Activities for each underserved market when creating their Plans. The Enterprises may also propose Additional Activities in their Plans. For each Activity, the Plans must include measurable objectives stating how the Enterprises will accomplish the Activity.

Certain impactful activities, including activities that promote residential economic diversity in an underserved market are eligible for Duty to Serve extra credit.

The Plans will become effective January 2018.

BACKGROUND

On December 13, 2016, FHFA issued a final rule on Fannie Mae's and Freddie Mac's Duty to Serve Underserved Markets. The final rule becomes effective 30 days after publication in the Federal Register.

FHFA received 1,567 comments on the proposed rule, which was issued December 15, 2015.

FHFA previously issued an Advance Notice of Proposed Rulemaking in 2009 and a Notice of Proposed Rulemaking in 2010 but did not complete the rulemaking process.

Link to [FHFA final rule](#).

Updates will be posted at www.FHFA.gov/DTS.

MANUFACTURED HOUSING

For the manufactured housing market, Regulatory Activities that the Enterprises undertake supporting financing of manufactured homes titled as real estate are eligible for Duty to Serve credit. Enterprise Activities supporting financing of manufactured homes titled as personal property, also known as chattel, initially as a pilot program, are also eligible for Duty to Serve credit. FHFA will issue a Request for Input in 2017 on considerations for a potential Enterprise chattel loan pilot program. Further details will be available at www.FHFA.gov/DTS. In addition, Regulatory Activities related to Enterprise purchases of blanket loans on: (1) manufactured housing communities owned by their residents, nonprofits or government agencies or instrumentalities, and (2) manufactured housing communities where tenants' site leases include certain minimum tenant protections are eligible for Duty to Serve credit.

AFFORDABLE HOUSING PRESERVATION

For affordable housing preservation, Statutory Activities that Fannie Mae and Freddie Mac undertake related to preservation of affordable housing funded under the following programs specified in the statute are eligible for Duty to Serve credit:

- U.S. Department of Housing & Urban Development (HUD) Section 8 Rental Assistance Program;
- HUD Section 236 Rental and Cooperative Housing Program;
- HUD Section 221(d)(4);
- HUD Section 202 Housing Program for Elderly Households;
- HUD Section 811 Housing Program for Disabled Households;
- McKinney-Vento Homeless Assistance Programs;
- USDA Section 515 Rural Housing Programs;
- Federal Low-Income Housing Tax Credits; and
- Other comparable state and local affordable housing programs.

Regulatory Activities that Fannie Mae and Freddie Mac undertake related to: purchasing loans on small multifamily rental properties of 5 to 50 units; purchasing energy efficiency improvement loans on multifamily rental properties; purchasing energy efficiency improvement loans on single-family properties with Fannie Mae or Freddie Mac first-mortgage liens; activities that support financing of purchase or rehabilitation of certain distressed properties; activities related to public housing properties that use HUD's Rental Assistance Demonstration Program; and activities related to properties in designated areas under HUD's Choice Neighborhoods Initiatives Program are eligible for Duty to Serve credit.

In addition, Regulatory Activities undertaken by the Enterprises that support preserving affordable homeownership for single-family properties under shared equity programs administered by a community land trust, a nonprofit organization or a state or local government agency are eligible for Duty to Serve credit. Eligible shared equity programs must ensure affordability for 30 years, monitor the units to ensure affordability is preserved over resales, and support the homeowners to promote successful homeownership.

RURAL HOUSING

For the rural housing market, Regulatory Activities undertaken by the Enterprises that support housing in high-needs rural regions, defined as Middle Appalachia, the Lower Mississippi Delta, colonias, and rural tracts in certain persistent poverty counties are eligible for Duty to Serve credit. Enterprise activities supporting housing for high-needs rural populations, defined as members of a Federally recognized Native American tribe located in a Native American area, and agricultural workers are eligible for Duty to Serve credit. In addition, Enterprise activities that support financing by small financial institutions of rural housing, and Enterprise activities that support small multifamily rental property activity in rural areas are eligible for Duty to Serve credit. The final rule defines a “rural area” as (i) a census tract outside of a Metropolitan Statistical Area (MSA) as designated by the Office of Management and Budget, or (ii) a census tract in an MSA, but outside of the MSA’s Urbanized Areas as designated by the U.S. Department of Agriculture’s Rural-Urban Commuting Area Code (RUCA) 1 and outside of tracts that have a housing density of over 64 housing units per square mile for USDA’s RUCA Code 2.

EVALUATIONS AND RATINGS

FHFA will annually evaluate and rate Fannie Mae’s and Freddie Mac’s performance under their Plans through a three-step evaluation process that will be further detailed in FHFA Evaluation Guidance. First, FHFA will review the extent to which the Enterprise has achieved the objectives it identified in its Plan. This is a quantitative evaluation of the Enterprises’ performance and will be used to determine whether an Enterprise has failed its statutory Duty to Serve responsibilities or is eligible for a passing rating. If an Enterprise is eligible for a passing rating, FHFA will determine its final rating through the second and third steps of the evaluation process.

In the second step of the process, FHFA will evaluate the Enterprise’s performance under its Plan from a qualitative perspective, assessing the extent to which the objectives achieved meaningful impact and were implemented skillfully.

In the third step of the process, FHFA may award extra Duty to Serve credit for eligible residential economic diversity activities undertaken by the Enterprise, as well as for other activities eligible for extra credit that will be identified in the Evaluation Guidance.

FHFA will award a final rating of Fails, Minimally Passing, Low Satisfactory, High Satisfactory, or Exceeds to the Enterprise based on the quantitative, qualitative, and extra credit assessments. FHFA will report the overall ratings results to Congress on an annual basis.

FHFA will post proposed Evaluation Guidance for public input within 30 days of publication of the final rule.