Community Preservation Corporation

July 15, 2024

Federal Housing Finance Agency
Division of Bank Regulation
400 7th Street SW, 7th Floor
Washington, D.C., 20219

REQUEST FOR INFORMATION:
FEDERAL HOME HOUSING FINANCE AGENCY (FHFA) ENTERPRISES' 2025-2027 DUTY TO SERVE UNDERSERVED MARKETS PLANS

To whom it may concern:

Please find the following comment submitted on behalf of the Community Preservation Corporation (CPC), a 50-year-old nonprofit CDFI, and the largest CDFI in the nation dedicated to investing in multifamily housing, having leveraged more than $15 billion to create and preserve more than 225,000 units of affordable and workforce housing. CPC co-owns and operates CPC Mortgage Company LLC, a CPC subsidiary and a first-of-its-kind partnership of impact driven, nonprofit mortgage lenders and investors, along with our partners at National Equity Fund and Cinnaire. CPC Mortgage Company is driving social impact as the only nonprofit multifamily mortgage lender with multiple licenses with Freddie Mac, Fannie Mae, the US Department of Housing and Urban Development (HUD), and the Federal Housing Authority (FHA). CPC provided comments at last year's Duty to Serve public listening session on the affordable housing preservation market and is honored to provide feedback again this year.

The Plans outline vital steps to preserving and expanding the affordable housing market at a time of unprecedented need. CPC supports the Enterprises' commitment to addressing the most pressing obstacles to liquidity in this market through their technical assistance and loan purchase programs. CPC urges the Enterprises to go further in addressing climate resiliency and rising insurance premiums across the affordable housing industry.

Low- and middle-income communities are often the first and most directly impacted by climate change. Making the affordable housing stock climate resilient is therefore crucial to mitigating these impacts. Multifamily housing plays an especially important role in climate resiliency, with at least 57% of households living in multifamily buildings defined as Low Income/Disadvantaged Communities (LIDAC). With the passage of the Inflation Reduction Act, the Enterprises should act on the significant opportunity to spur deep decarbonization of both multifamily and single-family housing.

While the Enterprises' support of efficiency improvements in affordable housing is commendable, the Enterprises should lead the markets in pushing for more aggressive targets in efficiency with an eye towards decarbonization and net zero buildings. To do so, we recommend prioritizing loan purchases of properties that meet the Department of Energy's national definition of a zero-emissions building, which requires buildings to be energy efficient, free of on-site emissions from energy use, and powered solely from clean energy. We recognize that this standard is difficult for many existing buildings to meet.

At a minimum, the Enterprises should require a 20% reduction in energy and/or water consumption, of which at least 15% should come from projected energy savings. As the housing industry adapts to decarbonization, the goal should be to increase the overall target to 35%, with a minimum of 20% coming from projected energy savings. In addition to mitigating the worst impacts of climate change, increasing energy efficiency and decarbonizing multifamily housing will yield lower utility costs for residents, a major factor in housing affordability for low-income households in multifamily dwellings.

Alongside the focus on building efficiency, Fannie Mae's plan calls out the need to support disaster preparedness and resiliency through technical assistance programs, but it fails to address concerns that insurance and disaster assistance may not be enough to protect lenders, borrowers, and residents from strong and more frequent climate events.

Growing climate risks are leading to increasing insurance premiums, and that is on top of already rapidly rising insurance premiums for affordable multifamily homes. According to a study by Bipartisan Policy Center, between 2020 and 2023, multifamily insurance rates increased by an average of 12.5% annually.[1] Stewards of Affordable Housing for the Future (SAHF), a coalition of 12 of the nation's leading affordable housing providers, saw their members' insurance premiums rise 10% to 40% year-over-year during that same period. While there are a multitude of drivers contributing to the rising cost of insurance, key factors include the limited markets curtailed by insurance providers withdrawing from markets they deem too risky, increases in large pay-out events, and the vulnerability of

[1] Bipartisan Policy Center. "Rising Insurance Costs and the Impact on Housing Affordability." June 25, 2024. https://bipartisanpolicy.org/blog/rising-insurance-costs-and-the-impact-on-housing-affordability

specific renter populations. Across the Enterprises, a strategy is needed for managing the escalating costs of insurance for multifamily affordable housing due to both climate risk and the factors contributing to rapidly rising premiums. Addressing the capital gap for resiliency investments is an important part of such strategy, as it would help reduce insurance costs in addition to mitigating climate impacts and lowering utility costs.

Moving on to their Loan Purchase Programs, the Enterprises provide vital liquidity to state, local, and federal housing programs like Section 8, LIHTC, and RAD. We applaud Fannie and Freddie's commitments to preserving the low- to moderate-income housing produced under these programs. These programs have a proven track record of lifting households out of poverty, and we strongly support the Enterprises' commitment to prioritizing partnerships with lenders and housing practitioners in these markets. We also applaud the Enterprises' commitment to supporting the unique liquidity needs of CDFIs and other small lenders. Providing liquidity to these institutions is crucial to meeting the financial needs of sectors with limited access to capital. We support Freddie Mac's plan to enhance its securitization platform and Q-Deal program structure to remove barriers to CDFIs and other institutions with relatively low aggregated debt. We would also welcome the opportunity to work with the FHFA and the Enterprises to find additional ways to serve CDFIs, small lenders, and small buildings.

CPC is committed to collaborating with the Enterprises to address the needs of the affordable housing preservation market. We believe that with more aggressive resiliency targets and a comprehensive approach to rising insurance premiums, we can drive significant progress in making multifamily housing more sustainable and affordable. We appreciate the opportunity to provide public comments and look forward to continuing our partnership to ensure that the affordable housing market is robust and resilient for the future.

Sincerely,

Rafael E. Cestero, Chief Executive Officer

The Community Preservation Corporation

rcestero@communityp.com