



National Community  
Stabilization Trust

November 2, 2018

Ms. Sandra Thompson  
Deputy Director, Division of Housing Mission and Goals  
Federal Housing Finance Agency  
400 7th Street, S.W.  
Washington, D.C. 20219

*RE: Fannie Mae Duty to Serve Plan Modification RFI*

Dear Ms. Thompson:

The National Community Stabilization Trust (NCST) is grateful for the opportunity to comment on Fannie Mae's proposed modifications to their Duty to Serve plan issued last year under the provisions of the Housing and Economic Recovery Act of 2008. Throughout its implementation of Duty to Serve, FHFA has run a remarkably open and accessible process, enabling external stakeholders to provide input into activities of the utmost importance to individuals and markets currently underserved by the Enterprises.

NCST is a national, non-profit organization that works to restore vacant and abandoned properties to productive use, especially affordable homeownership, and to prevent neighborhood blight. Established in 2008, NCST has enabled the rehabilitation of more than 25,000 REO properties, including more than 5,000 properties acquired through the Neighborhood Stabilization Initiative partnership with Fannie Mae and Freddie Mac supported by FHFA.

In line with our organizational mission, this comment focuses on Fannie Mae's proposed modifications to its Duty to Serve Plan as relates to the Affordable Housing Preservation Activity of purchasing or rehabilitating distressed properties. Fannie Mae's proposed modification to this activity would reduce both the baseline and target metrics originally proposed for this Activity. The modification request is based on revised REO projections from an external economic forecasting model.

While NCST has no reason to question these REO projections, FHFA should note that the importance of capital to purchase and rehabilitate distressed properties extends well beyond needs occasioned by current REO flow. Many properties throughout the country are in a sufficiently distressed condition that they require this type of financing not because they experienced a recent foreclosure, but due to age or a natural disaster such as a hurricane or fire. The very limited new construction of single-family homes during the post-crisis decade means that many homebuyers



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will of necessity purchase previously owned homes, and a large percentage of these – especially in the northeast and Midwest – are over 50 years old (in some metros, many are over 75 years old). Additionally, evidence suggests that climate change will increase the risk of disasters that affect single-family properties. In short, the need for purchase and rehab products will continue to grow regardless of default rates resulting in new REO.

That said, NCST does not object at this time to the proposed modifications. In our view, the most important aspect of Fannie Mae’s work in this area is to experiment with its product offerings to figure out how to improve the flow of capital for both nonprofits and individuals to purchase and rehabilitate distressed properties. We commend Fannie Mae for entering into the “test and learn” phase with respect to these products, and their successful piloting and ultimate roll-out remains of greatest interest to us. Effective and accessible products should result in a significant increase in purchases regardless of specific plan metrics.

Thank you again for the opportunity to comment. Please contact us if you have any questions or wish to discuss further.

Sincerely yours,

Julia Gordon  
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