



# CRA AT FORTY

## Collaboration Is Key

Corey Aber & Simone Beaty  
*Freddie Mac*

For 40 years, the Community Reinvestment Act has motivated lenders to focus on some of the most persistent housing challenges in their local areas. The needs that led to the establishment of CRA are at least as great now as they were in 1977. Like findCRA, Freddie Mac is committed to supporting lenders' efforts to keep housing affordable in their communities.

For 47 years, in good economic times and bad ones, Freddie Mac has fulfilled our mission to promote liquidity, stability and affordability in the U.S. housing market. Being in the secondary mortgage market, we don't make loans. Rather, we buy loans that meet our standards from approved lenders nationwide; lenders use the money from those sales to make loans to other qualified borrowers. To us, supporting housing affordability is more than a mission - it's in our DNA.

Tackling housing affordability takes cooperation on many levels, from many sectors. The economic crisis disrupted many of the supports and connections that make up the housing ecosystem and promote the flow of business. Understandably, a priority for lenders and other stakeholders - including Freddie Mac - became finding ways to help homeowners keep their homes, where possible, and mitigating losses.

Over the last few years, focus has shifted back to expanding opportunities for affordable housing. Because Freddie Mac touches every part of the ecosystem, we are taking the lead in helping to reenergize it and keep it active. As we build a better housing finance system in general, we're enhancing access to the liquidity and other resources that lenders need to meet CRA objectives and effect positive change in their communities. This includes having the right capabilities in place, promoting outreach and education and reaping the benefits of access to data.

### FOCUS ON AFFORDABILITY

A key to providing lenders the support they need is giving them access to people, processes, policies, products and services that will make a difference.

Freddie Mac Multifamily, for example, has long been committed to affordable housing preservation, and we've been steadily and significantly investing in our platform and products for the last decade, envisioning the future of housing

finance even in the depths of the crisis. As a result, lenders and investors have gained ways to support affordable housing in their communities and nationwide by making loans and selling them to us, investing in Low-Income Housing Tax Credit (LIHTC) equity on properties for which Freddie Mac is the permanent debt provider and investing in securities backed by affordable housing, thereby increasing their ability to meet CRA objectives. More specifically, following are some of our industry-leading financing programs that support creating and preserving affordable housing, many of which align with CRA:

- Tax-Exempt Loans (TEL) and Bond Credit Enhancements for properties with 4 percent LIHTC;
- Cash loans for properties with 9 percent LIHTC;
- Cash loans for properties with project-based Section 8;
- Loans for HUD's Rental Assistance Demonstration (RAD) program;
- Small Balance Loans (SBL) that support small properties (five to 50 units); and
- Loans for manufactured home communities.

In addition, these credit-risk transfer mechanisms promote private investment for public good:

- K-Deals, our flagship securitization technology;
- ML-Deals, for securitizing Tax Exempt Loans;
- TEBS, for securitizing pools of Tax Exempt Bonds;
- SB-Deals, for securitizing Small Balance Loans; and
- Participation Certificate Programs.

We continually work to streamline processes and develop products to meet borrowers' range of needs. And our in-house, regionally-focused staff has the expertise and flexibility to craft solutions that benefit all parties, while maintaining loan quality.

Our efforts make a difference: About 90 percent of the units we fund each year are affordable to low- and moderate-income renters. And we've broken purchase-volume records several years in a row.

On the Single-Family side, we've transformed our business, renewing the energy around expanding homeownership – responsibly. Our regionally-focused team works in partnership with lenders of all sizes to understand and address business needs; we've significantly increased support for community lenders. We've also reconnected with housing finance agencies (HFAs) and maintain relationships with housing professionals, not-for-profit housing organizations and community organizations. This uniquely enables us to act as a catalyst within the housing finance system, to create avenues and opportunities to reach more borrowers.

To equip lenders to increase affordable lending, we've streamlined processes, refined policies and enhanced products. For example, we extended our Home Possible® suite of products to allow for down payments as low as 3 percent for first-time and low- and moderate-income buyers as well as other buyers in underserved areas; the suite also includes an offering exclusively for HFAs.

Also, Test and Learn pilots are a way to try out new and enhanced products on a small scale before broader release – especially as we work to meet the evolving needs of current and future homebuyers. We're always looking for ways to increase liquidity where it could do the most good.

An example is our initiative with Next Step Network, Inc., to implement online education for buyers of manufactured homes – an affordable option for many low- and moderate-income households. The program, which findCRA participates in, aims to foster relationships in the manufactured housing industry – including with mortgage lenders – locally and nationally.

Manufactured housing is one of three focus areas that comprise the federally mandated Duty to Serve program, the others being rural housing and affordable housing preservation.

Duty to Serve is a welcome opportunity for Freddie Mac as a whole to expand the scope of support and to guide the mortgage industry in looking at housing issues in new ways, understanding the broader problems facing these markets and developing effective and standardized solutions to some of society's most persistent housing problems. We look forward to giving lenders additional tools and resources for serving communities that need it most. The three-year plan that we expect to execute starting in January 2018 will reflect much-appreciated input from across the industry.

## IMPORTANCE OF KNOWLEDGE OF NETWORKS

Other key success factors: Outreach and education.

To help lenders and other housing professionals understand and take full advantage of our products, policies and processes, Freddie Mac holds and otherwise supports numerous educational and networking opportunities each year, reaching thousands across the industry.

Our Single-Family team helps lenders with a CRA focus expand their capacity to meet their goals by enabling greater access to and interaction with potential homebuyers. For example, our CreditSmart® financial-literacy curriculum helps people improve their credit and understand the responsibilities of homeownership. Available in several languages, it can be taught by lenders and not-for-profits; it also can be accessed on FreddieMac.com, along with our blog and My Home by Freddie Mac®, which offer a wealth of consumer information and resources that housing professionals may share with clients.

Our Borrower Help Centers (BHCs), run together with HUD-approved housing counseling agencies, deliver education, such as CreditSmart, and counseling services – especially to those with low and moderate incomes. Launched during the economic crisis in hardest-hit cities to assist struggling borrowers, they've refocused on promoting sustainable homeownership. Our fourteenth BHC opened this year in Mississippi – the first in a rural area. Initially covering three counties, it now serves 11. In the first half of 2017, BHCs worked with 19,000 potential homebuyers and referred almost 10,000 to lenders.

An initiative that harnesses the power within communities is Block by Block, which aims to revitalize urban neighborhoods still struggling to recover from the crisis. Launched in Chicago's Auburn Gresham neighborhood in 2015, it brings together local public, private and not-for-profit organizations to promote sustainable recovery. Today, fewer homes there are vacant and homeownership is increasing. The initiative expanded to Baltimore last December.

## BIG DATA, BIG FUTURE

The importance of data and technology is only increasing, as more processes are handled online and systems are integrated. The real benefit will be the access to data this affords us, and the real value will come from how we use that data.

In Single-Family, for example, Freddie Mac's innovative Loan Advisor Suite® integrates the loan-origination process from end to end. It increases reliability, efficiency and certainty, while lowering the cost of producing high-quality loans, and it bolsters lenders' ability to make more loans using more of our credit box – responsibly. And it captures all mortgage-related data and makes it easy to access, share and analyze.

## CONTINUING THE COMMITMENT

Access to affordable, available and appropriate housing remains a serious issue nationwide. Importantly, CRA focuses lenders' attention on addressing those challenges in their local areas. Lenders have Freddie Mac's support, rooted in our commitment to our mission and to serving as a catalyst within the housing finance system. Working together, we can help strengthen communities – responsibly and sustainably.

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## ABOUT THE AUTHOR

**CORY ABERY** leads Freddie Mac Multifamily's Community Mission efforts to reach new markets and communities and support affordable housing and underserved markets nationwide. Mr. Aber has been with Freddie Mac for twelve years. He is a graduate of Brown University, where he studied History, Literature and Architecture History.

**SIMONE BEATY** is the director of affordable lending strategy and policy for Freddie Mac's Single-Family Business, where she's focused on underserved markets, including rural housing and manufactured housing as well as affordable housing preservation. Simone has 19 years of experience in the mortgage industry and has been with Freddie Mac for 13 years. She was previously director of servicing policy. Simone was instrumental in developing Freddie Mac's policy and implementation of the federal government's Home Affordable Modification Program (HAMP), the Neighborhood Stabilization Initiative and the standardization of servicing requirements under the Servicing Alignment Initiative with the Federal Housing Finance Agency.

**FREDDIE MAC** makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we've made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders and taxpayers. Learn more at [FreddieMac.com](http://FreddieMac.com), Twitter @FreddieMac and Freddie Mac's blog [FreddieMac.com/blog](http://FreddieMac.com/blog).

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## ABOUT THE BOOK

This article first appeared in **CRA at 40: Views on the Present and Future of Community Reinvestment**, published by findCRA in November 2017. The book was created in celebration of the 40<sup>th</sup> anniversary of the Community Reinvestment Act. It tells the stories of community development, from the perspective of those working in our communities who bring their knowledge and passion to bear every day in confronting the most critical problems facing communities in need. The book is about real-world experiences told in plain language by those who live them to provide a lens for readers to see CRA at work, ideas for its future and most importantly, what it means in people's lives. To access the full text or order copies of the book, please visit [www.findCRA.com/CRAat40](http://www.findCRA.com/CRAat40).