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United States Senate

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October 5, 2016

The Honorable Melvin L. Watt
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, D.C. 20024

Dear Director Watt,

I am writing in support of the Federal Housing Finance Agency's (FHFA) proposed Enterprise Duty to Serve Underserved Markets (DTS) rule (RIN 2590-AA27) and to express my appreciation for the FHFA's effort to improve access to credit in rural and underserved areas, especially in Indian Country.

A robust DTS requirement is critical to promoting a more affordable, fair and accessible housing market throughout the country. I strongly encourage the FHFA to adopt a rule that will permit, with appropriate restrictions, the Government Sponsored Enterprises (GSEs) to receive credit for equity investments in the Low Income Housing Tax Credit (LIHTC) market to increase access to resources for rural and underserved markets, and, in particular, Indian Country. A properly designed DTS rule has the potential to be a meaningful tool that will increase access to reliable housing finance options, and ultimately, to help families find safe, affordable housing in our country's rural and tribal areas.

As you know, rural housing markets across our country are chronically lacking in available investment in both new construction and rehabilitation for existing units. And this need is even more acute across often geographically isolated tribal lands, such as reservations located in North Dakota. According to the most recent U.S. Census Bureau data provided by the U.S. Department of Housing and Urban Development (HUD), those living in North Dakota's tribal communities lack a kitchen, plumbing and live in overcrowded conditions almost four times more often than Americans nationwide. Nationally, 15 percent of American Indian households have "severe housing needs." In the Great Plains region, that percentage is higher, with 18 percent or 6,739 Indian households overcrowded or lacking a complete kitchen or plumbing. In North Dakota, where the weather conditions can be harsh and unforgiving, especially during the winter, much of the available housing either lacks proper insulation, faces black mold issues or has leaky roofs. The absence of robust economic development and opportunities in these chronically underserved areas further contributes to poverty and such disparate housing conditions.

Following the GSEs' exit from the tax credit equity market in 2008, financial institutions have been particularly motivated to invest in housing credit projects because they receive credit for those investments under the Community Reinvestment Act (CRA). In high-demand urban areas, this has created a competitive market with generally high prices for credits. However, housing credit pricing for developments in underserved, rural areas where no CRA credit is available are

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often significantly lower, which results in less equity for rural properties. This issue has been especially apparent in Indian Country. In 2016, a project in Fargo, our largest city in North Dakota, earned \$1.05 per dollar of credits, while a project on the Turtle Mountain reservation located in rural, north central North Dakota garnered a price of \$0.82 per dollar of credits. This is in contrast to the \$1.20 price that LIHTC credits are able to fetch in cities like San Francisco and New York City. If the Turtle Mountain project had received even the \$1.05 price for its credits, it would have equated to an additional \$792,781 in equity for that important project serving some of this country's most disadvantaged and vulnerable people. Allowing the GSEs to participate in the rural and tribal LIHTC market could help level out this equity imbalance.

Thank you for your work on behalf of our country's underserved and rural markets. I encourage you to adopt a final rule that ensures both affordability and access to housing in underserved and rural markets as well as Indian Country by permitting the GSEs to return to the LIHTC equity market in a manner consistent with safety and soundness.

Sincerely,



Heidi Heitkamp
United States Senate