DENISE LORENZEN: Good afternoon, everyone. I'd like to thank you for participating in today's FHFA listening session on Fannie Mae and Freddie Mac's 2022-2024 Equitable Housing Finance Plans. I'm Denise Lorenzen and I'm in the Office of Fair Lending Oversight, and I'll be introducing today's discussion with several knowledgeable speakers. I'd like to remind everyone that today's session is being recorded and will be posted on the FHFA website and YouTube channel. We know your feedback attention and time are valuable, and we appreciate the efforts the presenters have made and the investment in time that you, as listeners, have also committed. This is a long session but with a great deal of valuable information; therefore, we look forward to your insightful comments. I will now pass it to James Wiley, Associate Director for the Office of Fair Lending Oversight, who will be providing the opening remarks. James.

JAMES WILEY: Thank you Denise. In four days, we will commemorate Juneteenth which has been celebrated for many years across the country but was signed into law as a Federal holiday by President Biden in 2021. Juneteenth commemorates the emancipation of enslaved African Americans as the enforcement of the Emancipation Proclamation spread throughout the country. The Emancipation Proclamation was issued on January 1st, 1863, but enforcement in Texas did not come until Union troops under Major General Gordon Granger arrived on Galveston Island on June 19, 1865, and proclaimed the end of slavery in Texas. On another Juneteenth, more than 70 years later, an incident occurred in Texas, which reminds us that the fundamental freedoms embodied in the Emancipation Proclamation in the 13th and 14th amendments did not come immediately. Opal Lee is often called the grandmother of Juneteenth. Opal Lee advocated for making Juneteenth a federal holiday for many years including by walking from Fort Worth to Washington, DC in 2016 and 2017, when she was 89 years old. But in 1939, when Opal Lee was 12 years old, her parents bought a house in Fort Worth in a mostly white area. On Juneteenth of 1939, 500 rioters vandalized and burned down her home. This was only one year after the governor of Texas had proclaimed it a state holiday in 1938. Many years later she said the fact that it happened on the 19th day of June has spurred me to make people understand that Juneteenth is not just a festival.

All borrowers and renters, including those in underserved communities, should have access to safe, decent and affordable housing opportunities. Fair housing is one of the fundamental civil rights guaranteed by federal law, but today not all communities share the same access to housing opportunities and the promises of fair housing have been elusive for many families. In June of 2022, Fannie Mae and Freddie Mac released their first Equitable Housing Finance Plans. These three-year plans identified barriers experienced by renters, aspiring homeowners and current homeowners, and underserved communities.

The plans were updated this year in April during Fair Housing Month, and Fannie and Freddie also released reports on the first year’s performance under the plans. The Equitable Housing Finance Plan program represents a commitment by FHFA to its statutory duties to ensure that FHFA affirmatively furthers the purposes of the Fair Housing Act, to ensure that Fannie and Freddie operate consistently with the public interest, to ensure that they follow their charter acts, which includes, as a primary purpose, promoting access to mortgage credit throughout the nation, all while maintaining safety and soundness. Our approach at FHFA to this challenge has many components including: the Duty to Serve program and the affordable housing goals; ensuring Fannie and Freddie are well capitalized and can provide liquidity in good times and bad; our initiatives to modernize valuation and underwriting support for affordable multi-family housing and standards to ensure tenant protection; our oversight of model and AI risks that we know can impact housing throughout the country; updating the credit score models used by the Enterprises and our release of data on appraisals. and the wider mortgage market to inform stakeholders. The Equitable Housing Finance Plans supplement these and other FHFA programs by providing a focus every three years on the barriers experienced by particular underserved communities and taking actions to address those barriers. As demonstrated by the performance reports issued by Fannie and Freddie, the actions under the plans can address many of the long-standing disparities in the housing market while also providing better opportunities for all borrowers. The performance reports and listening session today represent FHFA's commitment to public transparency and public engagement as a part of this program. Public engagement is a fundamental component of making positive changes and ensuring that the plan activities work for real people. The Equitable Housing Finance Plans, as they stand today, reflect feedback from stakeholders across the country that was invaluable in shaping the plans. Today we want to hear from stakeholders about the program and the plans. As we take this time to consider public feedback, we are mindful of some of the lessons we take from the history of Juneteenth that we should celebrate the successes in breaking down barriers to freedom and prosperity in this country, but we must also continually take stock of the work that still needs doing. I'm looking forward to hearing the feedback we received today and the comments from stakeholders on the proposed rule and with that I’ll turn it back over to Denise.

DENISE LORENZEN: Thanks James. So, before we move on to the next part of the agenda where Fannie and Freddie will speak to their plans, a few housekeeping items. As James touched on, we invited you here today to give interested parties a public opportunity to provide feedback on the 2022 performance report and the 2023 updates to the plans and to provide input into the 2024 annual updates. On April 19, 2023, FHFA announced it was seeking comment on a proposed rule that would formalize many of the Agency’s existing practices and programs regarding fair housing and fair lending. The proposed rule would codify and expand on the current requirements for the Enterprises to maintain Equitable Housing Finance Plans. This listening session is focused on the performance report and the Enterprises’ plans rather than on the proposed rule. We encourage participants to submit any comments on the proposed rule in writing through the FHFA website; however, if participants choose to address issues related to the proposed rule in their comments today, those comments will be included in the rulemaking record for the proposed rule. All feedback offered in today's session should be directed to FHFA rather than to any other participant. This listening session is not an advisory group, but we may summarize the feedback gathered today in any rulemaking document that might be issued in the future if we determine that the use of that summarization is necessary to provide a complete statement of the basis for rulemaking. Nothing said in this meeting should be construed as binding on or a final decision by the FHFA director or FHFA staff. Any questions we have are focused on understanding your views and do not indicate a position of FHFA staff or the Agency. And now I will pass it to Katrina Jones from Fannie Mae followed by Pam Perry from Freddie Mac. Katrina.

KATRINA JONES: Great. Hi Denise, can you all hear me.

DENISE LORENZEN: We can, yes.

KATRINA JONES: Awesome, awesome. I want to thank you Denise, James and the Director and the entire FHFA team for organizing these sessions and for seeking feedback from a wide group of stakeholders. I'm really looking forward to hearing all of the input over these upcoming hours together. From the moment we began to pull our initial framework and actions that became our inaugural Equitable Housing Finance Plan back in 2021, I appreciated that stakeholder engagement and collaboration has been the foundation of our efforts to fully serve all aspiring renters, future homeowners and home buyers across the country, especially those who have been historically underserved by America's housing finance system. One thing that has consistently been driven home over the last few years is that the work of equity and housing, it's a business imperative for all of us in housing, and that's driven by the large majority of new household formations that will accrue over the next 10 to 20 years, made up of consumers that have been historically underserved, and so I appreciate that reaching and serving these consumers is not only the right thing to do, we believe it's the right business strategy for all of us in housing. Well, we continue to be students in our equity work and appreciate that understanding the housing needs of these future households is essential in transforming what we see our homeownership gaps today and to homeownership opportunities tomorrow, so we partnered with many of you who are on this call today, to create the consumers housing journey. This is a journey that is a comprehensive data-driven view of the obstacles that prevent consumers from being successful in housing no matter who they are or where they are on their housing journey. You'll see in our plan, that our initial use cases are the housing journeys for Black and Latino consumers that are available to all of you on our website and hopefully you're using them. The consumer housing journeys document insights in research from dozens of folks from this call and housing experts, practitioners, consumer and housing advocates, and lending organizations, just to give you a flavor of how much input came into developing those journeys. What I've also appreciated is the housing journeys, they certainly remain the foundation of our work in equitable housing, which is a core part of our long-term corporate strategic plan to improve access to equitable and sustainable housing for all. And importantly, I like to think of the journeys as potentially a valuable framework for how all of us collectively can measure our progress over time. We think of the consumer housing journeys as a resource not just for Fannie Mae, but, ideally, for all of us across housing that can leverage it to not only tell the story of a consumer’s housing experience, but they can also actually offer what I think of as opportunities to align on a common set of obstacles that can inform our conversations that can inform how we collaborate. How we think about partnerships against actions to address those obstacles. You see, we see the housing journey internally as a road map for us at Fannie to help drive focus and prioritization on the areas where we can have the greatest impact with removing or reducing the obstacles that consumers experience, especially those who are underserved, and we appreciate that we can't do this important work on our own. So, for example, if you think about understanding the root causes of upfront housing costs and the disproportionate burdens that these costs place on low to moderate income and underserved renters and first-time home buyers, I always like to think that this is a promising space where we can partner on innovative solutions that lessen the housing cost burdens for these consumers. I think the same can be said of our innovations that we are pioneering in mortgage underwriting to address the barrier of insufficient credit that all consumers are benefiting from including those consumers where this particular obstacle may be more acute but collective actions in our plan demonstrate the choices that we believe can make renting, buying and owning a home easier, more efficient affordable and as important accessible to all consumers now and in the future and always, always with an eye on safety soundness and housing sustainability. We think our role in improving access to equitable and sustainable housing is first understanding who the consumers were serving. We love that we're putting them at the center of our efforts and partnering with many of you on this call, and with the housing industry, we can help meet these families and future households where they are. I'm so excited and humbled to be part of the work, and I’m proud of the work that we've done so far. And while the housing and economic market has certainly changed since we drafted our initial plans back in 2021, I promise you, we remain undeterred in our efforts to advance what will perhaps take decades and years of sustained focus to move the needle forward. So, our plan, I always have said to many of you that I talk to, it's just a start and it's just a part of our long-term housing equity strategy that aims to address the needs of all aspiring renters, first-time home buyers and homeowners, especially, especially those who have been historically underserved and who likely need us the most. I know, I get it, we want to do more and we can do more and we can do it better, while I'm not here today to present, I'm here today to be a listener and I really appreciate the time all of you have taken to provide your voices. I'll turn it back over to you, Denise, and thank you in advance for what not only you're going to do today, but what all of you are going to do tomorrow.

DENISE LORENZEN: Thank you Katrina, so now we'll pass it over to Pam Perry from Freddie Mac.

PAM PERRY: Well, thank you Denise. Hello everyone. I'm honored to be here today and on behalf of everyone at Freddie Mac, I want to thank FHFA for inviting us and for all of you for the role you're playing in housing and in your participation here today. It's great to see such a broad array of market participants on today's call. Our inaugural Equitable Housing Finance Plan in 2022 was a significant undertaking influenced by our engagement with many of you. Likewise, our 2023 plan reflects lessons learned from our partners in the industry. We're hoping to strengthen our partnership with all of you in the years to come as we intensify our focus on providing opportunities to renters to increase social and economic mobility and narrowing the racial and ethnic homeownership gaps. All of you are familiar with the contents of our plan, so I won't repeat that here today, instead I'd like to highlight the progress we've made in just a few key areas and getting core elements of the plan off the ground. First, in creating opportunities for renters, we've seen great adoption of our credit building program through which we have incentivized multi-family owner operators to report on-time rent payments for tenants. This program has been offered to 250,000 renter households so far, helping over 30,000 tenants establish credit scores for the first time. We're seeing innovation and growing market interest in ways to advance renter opportunity and we're working to help the industry leverage that innovation and interest. Second, to expand access to credit for families seeking mortgages, we've made significant underwriting enhancements. We're now reviewing a borrower's bank account data to quickly identify on-time rent payments, assets, income, employment, a history of positive monthly cash flow activity. This is meaningful because it qualifies more credit worthy borrowers than traditional underwriting such as first-time homebuyers and families in underserved communities, and these updates should result in approximately 17,000 additional Black and Latino borrowers per year being accepted by our automated underwriting system relative to the previous production model. Third, we've initiated efforts to increase housing supply, such as expanding policies to finance single-family accessory dwelling units and launching and or expanding multi-family offerings designed to support the creation, preservation, and rehabilitation of affordable and workforce housing. We committed financing for over 20,000 new rental units last year alone. We would love to hear more from you about what part we can play in helping you increase housing supply. Finally, as you know, we've implemented Special Purpose Credit Programs in a two-pronged approach. We are partnering with lenders to purchase loans originated through their SPCPs, and we've created our own SPCP called BorrowSmart Access. It's available to first-time homebuyers across 10 major cities, and as our first SPCP, we intend to use this offering to learn valuable lessons that will inform potential future offerings. The real win would be to incorporate what we learn into our core business so we can bring it to scale versus treating it as special. And while our 2023 plan was more of a continuation of the work we proposed and began in 2022, we’ve expanded in some key areas such as expanding our financial education tool, CreditSmart, to include more Spanish language offerings, aiming to reach a larger portion of the Latino market and increase access to financial education, with a road map to include expansion to additional languages. To help underserved borrowers with the widespread need for down payment assistance, Freddie Mac built DPA One, a digital portal available for free to help loan officers and housing counselors match borrowers to housing finance agencies’ down payment assistance programs. While we are very proud of this progress, we know there's much more to do, can't say that enough. We're learning a great deal every day, and as we make progress, we will continue to refine the plan in years to come. For example, in subsequent plans we will focus on reaching additional underserved communities such as underserved segments of the AAPI market. We look forward to continuing to work to address these issues and if you have ideas, bring them to us. We welcome your feedback today and always. Thank you again for your partnership in this work, turning back to you Denise.

DENISE LORENZEN: Thank you Pam. So now, we'll hear comments from 19 speakers, each speaker will have 7 minutes to speak. We will try our best to stay on schedule and ask that everyone speaking help us do so as well. I will provide a one-minute warning prior to the end of your time and if you go over time, I will have to interrupt in order to keep us on schedule. So, let's get started. The first speaker is Andrea Jones from the Department of Housing and Urban Development, followed by Tamara King from Mortgage Bankers Association. Andrea, please unmute your mic and begin. I, we understand that you will not be on camera, thank you.

ANDREA JONES: Thank you. My name is Andrea Jones, I'm from the Department of Health and Urban Development. I am excited about what I've just heard today about the strides that you're making to make a difference from, within the Black and Brown communities regarding homeownership. So the question that I have is, at the Department of Housing and Urban Development we have something called The HUD Synergy Innovation Lab in which we actually did some of the work that you've done with your roadmaps and we come up with some innovative programs of reaching the Black and Brown community. So, my question to you is that, is there places or how can we partner together so we can increase the impact of what we're doing at HUD and so that we're not competing, but we're supporting one another and kind of reducing the the homeownership gap.

DENISE LORENZEN: Thank you for your question, Andrea. Right now, we are not taking, this is more of a listening session, so it's more of an opportunity for you to provide your comments, but we will take back your question for a later time to be answered at a later time, thank you. So, with that we will now pass on to Tamara King from Mortgage Bankers Association.

Tamara.

TAMARA KING: Thank you. Thank you to FHFA Director Sandra Thompson for holding this listening session on this very important issue. MBA is the national association representing the real estate finance industry with more than 2,000 member companies. MBA’s priorities and initiatives are well aligned with FHFA's commitment to addressing the racial and ethnic disparities in homeownership and wealth that have persisted for generations. MBA has several initiatives designed to address our nation's long-standing challenges related to housing equity, building generational wealth through homeownership, expanding affordable rental housing opportunities. The Home for All Pledge and convergence is MBA’s place-based initiative. These efforts demonstrate MBA’s commitment to combating the barriers to sustainable housing for people and community of color and expanding the opportunities for wealth creation and stability that come from homeownership and affordable rental housing. We appreciate that FHFA has implemented some of our recommendations that MBA provided during the RFI for the Equitable Housing Plans in 2021 including supporting Special Purpose Credit Programs, engaging with stakeholders that are focused on lowering or eliminating down payment barriers, partnering with organizations that raise awareness of the resources available to improve affordability and maintain sustainable homeownership, and allowing renters to leverage records of on-time payments to build stronger credit. These are good first steps. As we all know, the issues contributing to racial housing and equity are varied and challenging and will require extended dedication and partnerships that span throughout the industry. As a dedicated partner, MBA encourages FHFA to consider the following recommendations. One, support broad expansion of Special Purpose Credit Programs. MBA appreciates the support that the GSEs have provided for this valuable tool that helps lenders extend GSE backed financing to certain historically underserved populations including families of color. MBA encourages the GSEs to expand their capacity to review SPCP proposals and assist smaller lenders with creating their own programs, as well as creating GSE initiated SPCPs available to all seller servicers but particularly small lenders. Lenders of all business models should have the opportunity to create SPCPs, so that the program benefits are available to a broad range of borrowers and communities. In that spirit, we urge the GSEs to consider down payment assistance SPCPs for builder affiliated lenders through appropriately tailored exceptions to their interested party contribution guidelines. Number two, expand the eligibility for the Fannie Mae HomeReady and Freddie Mac HomePossible offerings. Both Equitable Housing Plans highlight down payment as a major barrier for people of color, noting that white borrowers are about 30% more likely to be able to access $3000 from family or friends to help with this cost. When analyzing home prices in cities, with significant Black population, the income needed to afford a home in these areas is likely at least 100% of AMI. Under current guidelines, eligible borrowers cannot have incomes above 80% of the AMI. At a minimum, the income thresholds for these programs should be returned to their previous standards, which allowed borrowers with up to a 100% of AMI to be eligible. Third, streamline the GSE scorecard definitions for multi-family affordable housing products and programs. MBA encourages FHFA to consider eliminating the multi-family mission-driven targets in the Enterprise scorecards as there is significant overlap with the Enterprise housing goals. This action would simplify the various affordable and mission related goals of the GSEs. The GSEs currently manage several different affordable targets as well as duty to serve requirements and Equitable Housing Plan objectives. The scorecard should simply set forth the lending caps and reiterate the housing goals, which are required by statute. Reducing this overlap would allow the GSEs to maximize resources while balancing the needs of the market and prioritizing the safety and soundness of the GSEs. Fourth, provide feedback and expertise on multi-family tenant protection. As FHFA works with industry stakeholders and seeks ways to enhance tenant protections, it is important that FHFA consider existing laws and programs that are designed to protect and serve tenants. There are a multitude of federal state and local laws in place to protect renters and any expansion by FHFA could disincentivize participation in the GSE multi-family programs or overall production of affordable housing. The best way to support tenants is by fully funding successful programs like LIHTC, Section 8 and more that help increase the supply of safe decent affordable housing for renters. MBA will provide additional comments on this issue in response to the RFI due July 31st. Nearly 400 member companies have already signed MBA's Home for All Pledge agreeing to be a champion for change in addressing the barriers to sustainable housing for people and communities of color. As an industry, we are here for the long but necessary journey to ensure that all Americans have the opportunity to live in sustainable housing and create generational wealth. We look forward to continuing our partnership, thank you.

DENISE LORENZEN: Thank you Tamara. So, we will now pass it on to Nicole Cabañez followed by Jim Gray.

NICOLE CABAÑEZ: Thank you. Good afternoon my name is Nicole Cabañez. I'm a Skadden fellow at the National Consumer Law Center. My organization advocates for improved consumer protections for low-income consumers, and we're also part of the Underserved Mortgage Markets Coalition at the Lincoln Institute. My work focuses on the intersection between consumer protection and immigrant rights including language access issues and mortgage origination and servicing. Today, I'll be providing our organization's feedback on the Enterprises’ use of Special Purpose Credit Programs and the plans measures to improve housing sustainability for these populations. My colleague, Odette Williamson, will later discuss our positions on other topics. Before I get to my remarks on plan performance though, I wanted to briefly address FHFA's proposed role on Equitable Housing Finance. We strongly support FHFA's efforts to codify the Equitable Housing Finance Plan framework, but the current proposal is missing many essential ingredients for an effective program to hold the Enterprises accountable for addressing racial equity in the long term. We suggest that FHFA consider incorporating five key elements to strengthen the framework going forward. The first recommendation we make is that the framework defines success using clear guidelines. The second is that FHFA retain the authority to reject insufficient plans. The third is that grades or metrics describing success such as in the Duty to Serve context be implemented. Four is that FHFA's progress for a value...the FHFA establish a process for evaluating plan performance. And then finally, we recommend that FHFA commit to disclosing success and failure at the goal level within each individual plan so the public can meaningfully contribute in the future. We believe that if FHFA makes these changes to the final rule, the agency will be much better positioned to address racial equity in the housing markets through these initiatives. So going into our organization's position on Special Purpose Credit Programs. The Equal Credit Opportunity Act was very careful in prohibiting credit discrimination on the basis of race, age, color, religion, national origin, sex, marital status, the receipt of public benefits and the exercise of rights under the Federal Consumer Protection Act. However, creditors may consider these prohibited factors as part of a Special Purpose Credit Program established under this act or regulation B, and we think that this carve out creates a real opportunity to target or use Special Purpose Credit Programs to target particular populations that have been disenfranchised by our credit markets in the past. So, for this reason, we support Special Purpose Credit Programs that have an identity focused approach and not simply ones that are focused on place or geography. So, while using geography can be useful, such as targeting low-income census tracks or rural areas, we think that using identity focused metrics could ensure success and ensure that resources within Special Purpose Credit Programs are really designed for the communities or directed the communities that they're designed to serve. And so, it's this preference for identity focused criteria that made us especially excited to read about Fannie Mae's decision to support the Twin Cities Habitat for Humanity of Minnesota's partnership with the Minnesota Homeownership Center, given the especially steep racial wealth gap in the Twin Cities, we believe that that an identity focused approach would be best suited to ensure these positive outcomes and we want to encourage the Enterprises to use Special Purpose Credit Programs as a tool to really direct resources to formally disenfranchised communities. We also suggest that the Enterprises think about Special Purpose Credit Programs as a way to enhance housing stability in these markets and especially when it comes to when we consider the broader affordability issues in our current credit markets, we think that it would be useful to think about Special Purpose Credit Programs in not only ensuring that we achieve and we narrow the homeownership gap by creating new loans, but also by ensuring that existing Black homeowners can stay in their homes in the long term. So for example, we think that the Enterprises could support a Special Purpose Credit Program designed at home repairs and in ensuring housing stability separate from the Mortgage Reserve Program that Fannie is using in their plan. You know, the latter program focuses on servicer capacity and or and it relies on servicer capacity to participate in the program, but a small Dollar Loan program specifically targeted to fund home repairs could achieve a similar outcome in assisting homeowners that are experiencing hardship. And specifically, if we were to make this sort of a program available to equitable owners in addition to record owners of their houses, it would allow homeowners that don't have a Fannie or Freddie mortgage to qualify for the SPCP and potentially stay in their homes, when they would otherwise not qualify for a mortgage on their home. And then second, we suggest creating a Special Purpose Credit Program or supporting Special Purpose Credit Programs in the servicing context specifically such as extending loan modifications under more generous terms to a class of borrowers facing foreclosure that would otherwise not qualify for a sustainable loss mitigation option. In terms of other sustainability recommendations that we make, we also urge, if I need to continue--

DENISE LORENZEN: One minute.

NICOLE CABAÑEZ: Yes, thank you. We also urge Fannie to continue providing ongoing oversight of servicer forbearance and loss mitigation efforts. We would like to see continue reporting on loan performance and loan outcomes and you know, especially as data on the Supplemental Consumer Information Form, the SCIF, becomes more available and we get better data on consumer language preference, we think that that could be a really effective tool to assess loan performance by language preference. And then finally, we appreciate efforts to promote awareness of fair servicing best practices to address borrower loss mitigation disparities; however, once best practices are identified in the market, we strongly encourage the Enterprises to impose requirements on servicers to ensure that best practices actually turn into solutions in the marketplace. Thank you.

DENISE LORENZEN: Thanks Nicole. And now we will pass it on to Jim Gray followed by Tracy Maguze. Jim.

JIM GRAY: Thank you Denise. Greetings to my former FHFA colleagues and others participating in this listening session. I'm Jim Gray, a senior fellow at the Lincoln Institute of Land Policy. We are an over 75-year-old Foundation working on all issues pertaining to how the world uses our land and water resources for the benefit of all. We convene two networks that frequently interact with FHFA the Innovations in Manufactured Housing or I'm HOME Network and the Underserved Mortgage Markets Coalition. My remarks today are only on behalf of the Lincoln Institute. I’m not speaking for our coalition partners. My remarks address the plan process in the proposed rule. Other UMMC members will address progress on specific aspects of the current plans and the proposed rule today as Nicole did before me. So, at the outset, I commend FHFA and its able staff for your notice of proposed rulemaking on fair lending, fair housing and Equitable Housing Finance. This was a critical first step at codifying fair lending supervision, EHF plans the prudential standard framework a start on data disclosure and language access, we appreciate your good work, thank you all very much for that. It is hard to imagine anything in greater need of attention in our financial markets than racial equity. The proposed rule and prior speakers have addressed the yawning racial wealth gap, better than I could. But there are two big picture points I've not yet heard that I consider crucial, one is well known and the other probably less well-known. So, starting with the well-known big picture point, the FHFA and all of us on this call are participating in the most consequential part of the mortgage market. Fannie and Freddie are the path to make change in the racial wealth gap. The mortgage market has evolved since the Great Recession, federally regulated lenders have seeded a great deal of the origination business to Independent Mortgage Banks not subject to CRA. The IMBs are generally more deferential to the GSE credit box than federally regulated lenders. The Enterprises have always been important but these market changes have the effect of making the Enterprise mission work even more important than it was before the crisis. So, to recap point one, FHFA is essential to addressing the racial wealth gap. The second, less well understood point is the nature of compulsory strategic planning processes like the EHF plan process we're talking about today. Pam and Beverly are two of the best that I know and have worked with many top-notch professionals at both Fannie and Freddie. These companies would prefer to help solve this problem all things being equal. But all things are not equal, competing with EHF Fannie and Freddie are also under extreme pressure to increase their capital reserves. Under these circumstances, without more specific guard rails that would force the Enterprises to take EHF planning seriously, it is not realistic for FHFA to expect the Enterprises to change their businesses to meaningfully address racial equity based on the bare bones provisions in the proposed rule. The level of progress in year one underscores this second point. If FHFA is truly serious about changing the business culture of Fannie and Freddie to address the racial wealth gap, and we assume that you are, then you must approach compulsory strategic planning by setting in regulation clear guidelines and expectations that progress on addressing this problem will be measured and made public. All of this falls under FHFA's question number six, pertaining to the process the staff pose the right question, "does the information in the performance reports help the public understand and assess the progress the Enterprises have made?" Unfortunately, the answer to this question is a resounding, no. This is one of the few things that I know something about having been deeply involved in FHFA's first regulatory process based on strategic planning I know what it takes to get the Enterprises' attention to make change in their business models, they pay attention to what is measured and made public. As Nicole said before me, there are five specific things missing from the proposed rule on the EHF process, all are needed. Plan guidance, what does success look like. Two, explicit authority to reject poor plans. Three, grades or metrics describing success like we have for CRA and DTS. Four, making public FHFA's process for evaluating performance, and finally, committing to disclosing success or failure at the goal level, so the public can meaningfully contribute. If the FHFA makes these five changes in the final rule, this will be a much more effective initiative. Of the five changes I've just recommended, four of my suggested changes are already on the books in the Duty to Serve program. You can meet all of these minimum criteria that I've just laid out without necessarily taking the same approach that we took when I was at FHFA with Duty to Serve. However, if these, given that these programs can diverge and still be successful, given that they're operated by separate FHFA offices if you really care about meaningful engagement--

DENISE LORENZEN: One minute.

JIM GRAY: --over the long term you will try to somewhat align the approach and the nomenclature to make it possible for people like those of us in the UMMC who are not doing this full time to engage with you, consider working with the Duty to Serve team to develop aligned approaches wherever possible. So, I said, that four of the five changes I mentioned are already documented in Duty to Serve, let's talk about the fifth one the one that is not already being done at FHFA, that's disclosing success or failure at the goal level so the public can meaningfully contribute. This necessary element is missing from EHF but is also missing from Duty to Serve and here's what happens when you don't have granular disclosure. FHFA comes out with an announcement hypothetically that Fannie had a strong performance in 23.

DENISE LORENZEN: Time is up, thank you.

JIM GRAY: Oh, I thought I had...I didn't...I missed my one-minute warning. All right, thank you.

DENISE LORENZEN: Thank you Jim. So now, we will pass it on to Tracy Maguze followed by Ashley Thomas.

TRACY MAGUZE: Thank you for the opportunity to comment on the updates to Fannie Mae and Freddie Mac's 2023 Equitable Housing Finance Plans. My name is Tracy Maguze and I'm an officer with the Pew Charitable Trusts Housing Policy Initiatives. Now, home prices vary significantly across the nation, but living in a lower cost area does not always ease the path to homeownership. Many families in less expensive regions struggle to buy a home because small mortgages are hard to obtain. Small mortgages, those for up to $150,000, are both difficult for banks to make and hard for families to find. Many families that are unable to get mortgages have turned to alternative financing arrangements, to purchase site builds and manufactured homes, but these options often cost more and offer fewer protections, especially in default than mortgages do. These include lease purchase agreements, land contracts, seller financed mortgages and personal properties or chattel loans for manufactured homes. Pew's research shows that at least 36 million families have used these arrangements and there are strong disparities across demographics especially for Black, Latino and Indigenous communities and in rural locations. Usage of alternative finance is most prevalent in Latino communities. Pew's nationally representative survey found that about 34% of Hispanic home borrowers have used alternative financing at some point, compared with roughly 23% of Black home borrowers, 19% of white borrowers and approximately 21% of all U.S home borrowers. Previous research has found that this higher prevalence of alternative financing among Latino home buyers is not new. In 2009, the last year for which the U.S Census Bureau collected relevant data, 8.4% of Latino homeowner households had active land contracts compared with 4.6% of all homeowner households. In 2019, among manufactured home borrowers who owned the land beneath the home being purchased, 40% of Black and 24% of Latino households had personal property loans instead of mortgages, compared with just 15% of white and 13% of Asian households. Evidence shows that some of these alternative arrangements like land contracts and lease purchase introduce risk for buyers. For instance, in some of these arrangements, the buyer lacks clear ownership of the property because transactions are not recorded or because the seller and not the buyer, as would be the case for traditional mortgage transaction, holds the title or the deed to the home for the duration of the financing term. This makes the arrangements legally ambiguous and buyers can't enjoy the benefits of homeownership, like wealth building opportunities but they're often saddled with the responsibility of an owner, like property taxes and maintenance. In the event of default, evictions and foreclosures can be carried out swiftly with few consumer protections for properties that have been purchased using alternative finance, compared with those brought with mortgages. Few states have laws to ensure that evictions, forfeitures or foreclosures for homes financed with land contracts or lease purchase arrangements are carried out fairly and with adequate due process. With experts projecting that Latino homeownership will continue rising, these findings raise significant concerns about Latino communities' access to safe financing and the stability of many Latino family's homeownership. Pew was pleased to see the Enterprises incorporated the Latino housing journey into the plans and that they're paying particular attention to the significant and distinct challenges Latino families face in accessing home financing. In general, as FHFA and the Enterprises finalize the updates to the Equitable Housing Finance Plans, we encourage them to also focus on understanding as a distinct group which home buyers use non-mortgage alternative financing arrangements, their pathways into those arrangements, and their experiences and outcomes. The pandemic and the resulting recession recently highlighted barriers that are unique to alternative financing and manufactured housing for example, some federal and state housing assistance programs exclude buyers who did not use [INAUDIBLE 0:48:43] purchase their homes. Fortunately, there's been some movement at the state and federal levels to draw attention to these homeowners and include them in policy guidance, like the Treasury's Homeowner Assistance Fund guidance, which is notable because it explicitly includes home buyers with land contracts and those with loans on their manufactured homes. Additionally, we encourage the Enterprises to consider further objectives related to personal property loans and land contracts. First FHFA and the Enterprises could consider how to better serve Black, Latino and Indigenous manufactured home buyers by beginning pilot programs for personal property loans. Yes, mortgages are the gold standard of home financing as they have relatively low interest rates and strong consumer protections, however, personal property loans for manufactured homes provide an important source of credit for home buyers who cannot use a mortgage. Sometimes this is because they do not own the land or because their properties are not owned together as real estate. Currently, personal property loans are not purchased by either of the GSEs nor do they have any other Federal support the way mortgages do.

DENISE LORENZEN: One minute.

TRACY MAGUZE: Pew also encourages the Enterprises to provide more public data and transparency on their existing programs for refinancing land contracts into mortgages. These programs could help borrowers get financing with reduced interest rates and monthly payments and increased consumer protections. Currently public data and information on these programs are extremely limited, making it difficult to recommend updates that can help more borrowers move to safer more affordable financing. Thank you again for the opportunity to comment.

DENISE LORENZEN: Thank you Tracy. So, we will now pass it on to Ashley Thomas. Thank you.

ASHLEY THOMAS: Thank you to Director Thompson and everyone at FHFA for inviting the National Association of Real Estate Brokers affectionately known as NAREAB to today's session. NAREB has been fighting for over 75 years for democracy in housing. For many Black families one of the biggest hurdles in purchasing a home is saving money for a down payment. Their income level often qualifies them for a mortgage, but they need help in providing upfront costs. The nation needs a comprehensive down payment assistance program for first-time homebuyers. Some options already exist, however, they come with conditions such as adding a second mortgage or strict wage and credit requirements which make it hard to qualify. The Down Payment Toward Equity Act approved by the House would have authorized $100 billion for a new HUD Grant Program to provide financial assistance for first-time, first-generational home buyers to put towards a down payment and other upfront costs. This funding would have helped address multi-generational inequities and access to homeownership and helped close the racial wealth and homeownership gaps in the United States, but the legislation died in the Senate. The administration needs to work with the Enterprises to figure out ways to achieve similar results without legislation. The Enterprises also need to find ways to help families compete with investors dominating the housing sales in urban communities. According to Redfin, cash buyers were four times more likely to win a bidding war against buyers with mortgage financing in 2021, even though oftentimes the financing offers were at a higher purchase price. Based on House Financial Services Committee survey nearly all of the five largest companies that own and operate single-family rental homes also purchase homes with cash to rent out to families. These companies collectively grew their portfolios by more than 76,000 homes, representing a net property growth of 27.2% between March 31st, 2018, and September 30th, 2021. Individual and investor cash buyers exasperated rising home prices, contributing significantly to the rising inflation. Also, they pushed many first-time home buyers out of the market. Many of these homes will never come back to the marketplace. We need the Enterprises to find ways to assist families so they can win some of these bidding battles as we move forward. In 1974 the Equal

Credit Opportunity Act, ECOA, allowed the establishment of Special Purpose Credit Programs by non-profit and for-profit organizations to meet the unique credit needs of borrowers. HUD released guidance in 2021 saying that Special Purpose Credit Programs can legally be developed by non-profit and for-profit institutions. In 1930, the Black and white homeownership gap was 24%. In 22, in 2022, that gap has increased to 30%. With a deadlocked Congress unlikely to pass any initiatives to increase home buying, we need the Enterprises to step in and perhaps by providing incentives to lenders who use Special Purpose Credit Programs and other measures to increase Black homeownership. Following the passage of many fair housing laws what good is a law on the book if it is underutilized and we feel that Special Purpose Credit Programs have been underutilized. The Enterprises can also play a critical role in helping young people with student loan debt who want to become homeowners. While opponents have stalled the Biden administration's student debt cancellation plan the Enterprises can make purchasing homes easier for families and individuals with student debt. Blacks owe an average of $25,000 more in student loan debt than their white counterparts four years after leaving college and leave school with an average of $52,726 in student debt. Deferment underwriting is classified today as a snapshot of what the borrower has on the table, it does not operate into future rules. Deferments, which require the borrower to not make any payments currently, are factored in they are the only criteria factored into a mortgage application. But there is also inconsistency by lenders and secondary markets and how that that debt impacts mortgage approvals. Fannie Mae and Freddie Mac acknowledge that income-based student loan payment plans should lower the monthly debt ratio calculations for loans. Still, it is critical that a uniform standard is created across the board - Federal Housing Administration, Fannie Mae, Freddie Mac and the veteran administration. We as a collective have to stop the devastating and growing narrative that if you want to own a home, do not go to college. This is why action by the Enterprises is so critical. Thank you.

DENISE LORENZEN: Thank you Ashley. So, as you may have noticed we are ahead of schedule, so we will now take a 10-minute break and be back at 2:10. So you're getting a little bit more than a 10-minute break, but once we get back on the agenda, we will have Tim Roy followed by Jonathan Horowitz as our speakers. Thank you. We will now go in break. Okay, so my clock now reads 2:10. We'll go ahead and get started with our next speaker Tim Roy followed by Jonathan Harwitz. Tim.

TIM ROY: Good afternoon my name is Tim Roy, Assistant Vice President for Housing Finance Policy at the Independent Community Bankers of America or ICBA. I appreciate this opportunity to participate in today's listening session and to provide comments on FHFA's proposed rule that would codify many of the existing and recent changes made to fair lending and fair housing oversight of Fannie Mae and Freddie Mac. The overarching goals outline to the proposed rule are admirable and necessary. It is critical that FHFA maintains oversight of the GSEs to ensure they act in accordance with their chartered purposes to provide liquidity, stability and assistance to the secondary market for residential mortgages. This also includes promoting access to credit throughout the country and to low- and moderate-income borrowers. It is also critical that existing policies do not perpetuate or exacerbate racial disparities that undermine access to the American dream of homeownership. It is also important that FHFA and the GSEs are transparent throughout this process. Community banks pride themselves in serving their communities, providing mortgage products to all credit worthy borrowers especially those who may seek loans with unique characteristics that may not fit within the conventional mortgage market box. They take fair lending incredibly seriously. That said, many community banks still rely on Fannie Mae and Freddie Mac to access the secondary market in order to free up capital to further invest in their communities. In recent years, many community banks have found it increasingly challenging to sell and service Fannie Mae and Freddie Mac loans due to increased costs and regulatory burdens. ICBA is therefore concerned that some of the changes the proposed rule seeks to codify will continue to disincentivize community banks from taking advantage of the liquidity benefits the access to the secondary market provides. Last year, for example, we expressed concerns to providing certain data points, particularly the preferred language of borrowers, presents additional costs and compliance burdens to service Fannie and Freddie loans this process is not at all seamless as this information does not automatically transfer from the loan origination systems into the bank's servicing systems and this further requires system updates that add to the cost and time for an already expensive and time consuming process. Language preference is a unique example of a data point that wasn't collected prior to the implementation of this requirement. Adding servicing requirements like this with no clear justification is ultimately harmful to small lenders that desire to retain servicing. Now beyond our specific concerns within the Equitable Housing Finance Plans, we believe now more than ever is a critical time to seriously consider a path out of conservatorship for the Enterprises. Consistent with HERA, FHFA has a duty and obligation to work with Treasury to resolve the government's ownership of the Enterprises. It has been nearly 15 years, much longer than any statute or anyone could have reasonably anticipated. We believe it is important for the safety and soundness of the system that FHFA fully utilize its resources and authority as regulator and conservator to ensure the Enterprises are safe sound and fully capitalized in accordance with their Enterprise capital rule framework. FHFA should work with Treasury to resolve the government's ownership of the Enterprises and allow them to access outside equity. As currently structured, the Enterprises can only build capital through retained earnings. Given large amounts of capital needed to be considered fully capitalized, it will take at least 10 years with Enterprises to meet those requirements and be eventually released from conservatorship. Furthermore, the sweep of GSE earnings has only been paused until they are capitalized, so once that occurs, the GSEs will be required to resume sweeping any excess earnings to the Treasury which in turn will make it impossible to escape conservatorship. The lack of progress in resolving this issue by both FHFA and Treasury endangers the safety and soundness of both Enterprises and could pose a threat to the stability of the mortgage market. Perpetual conservatorship is simply not sustainable over the long term. As it stands, new programs and plans, even those outlined in the proposed rule, can always be overturned if a new Administration decides to appoint a new FHFA director with different housing priorities and goals. We are concerned that this potentiality elevates concerns or creates a perception that FHFA acts according to a political agenda established by incoming Administrations. This is not healthy for the housing system, and it creates more uncertainty for the GSEs, potential investors and the institutions that do business with them. This dynamic severely undermines the longevity or success of almost any endeavor, no matter how admirable and well-intentioned. It also wastes valuable resources on projects that may or may not achieve their stated goals. Perhaps worse, it creates a regulatory whipsaw effect that makes it increasingly challenging for community banks or any lender for that matter to work with the Enterprises going forward. Conservatorship is certainly unhealthy for the housing finance system, especially given that the GSEs remain under capitalized but in the end it ultimately disincentivizes community banks from accessing the secondary market--

DENISE LORENZEN: One minute.

TIM ROY: --service that GSEs provide. Thank you for the opportunity to speak this afternoon. ICBA looks forward to working with FHFA and other stakeholders throughout this process, thanks.

DENISE LORENZEN: Thank you Tim. I will now pass it to Jonathan Harwitz, followed by Terry Montague.

JONATHAN HARWITZ: Hi, as noted I'm Jonathan Harwitz, Director of Public Policy for the Housing Assistance Council also known as HAC. HAC appreciates the opportunity to offer comments today on the Equitable Housing Finance Plans of the GSEs to the Federal Housing Finance Agency. HAC helps build homes and communities across rural America, founded in 1971 and headquartered here in Washington DC, we work in all 50 states as a national non-profit and certified community development institution. We are dedicated to helping the local rural organizations build affordable homes and vibrant communities with a particular focus on the poorest and most rural areas. We provide below market financing, technical assistance training and information services. We serve as rural America's information backbone with leading public and private sector institutions relying on HAC’s independent nonpartisan research and analysis to shape policy, thus we're uniquely positioned to provide comments and insights on the Equitable Housing Finance Plans from a rural perspective. I would like to note that we are also a member of the Underserved Mortgage Markets Coalition convened by the Lincoln Institute of Land Policy and we're the Chair of its rural working group. I also want to note that HAC endorses the more detailed comments on improving the proposed rule that were delivered earlier by the Lincoln Institute as well as the National Consumer Law Center. I will focus our very brief comments on an issue HAC has been working on for our entire five-decade existence, namely addressing land tenure challenges including heirs' properties. Over the past two years HAC has undertaken increased efforts regarding heirs' property and the impact on poor rural households particularly multi-generational African American homeowner households in the American South. The creation and perpetuation of the issues associated with heirs' properties can be attributed to legal and financial deserts, less access to capital and wealth and other disparities that disproportionately affect residents of color, low-income communities, and rural residents. HAC wants to applaud Fannie Mae's inclusion of heirs' properties in their Equitable Housing Finance Plan, including resources devoted to better understanding the issue through a research pilot with HAC's division of research and information. Accordingly, HAC wants to encourage the Enterprises and FHFA to continue to support research resources and solutions to address the problems of heirs' properties. Resolution for these issues requires long-term support from financial institutions, federal agencies, quasi-government entities, states and localities. Addressing this issue and its root causes and systemic racism and inclusion will contribute to reducing the homeownership and racial wealth gap, and preserve generational wealth for communities of color and rural residents. Thank you.

DENISE LORENZEN: Thank you Jonathan. So, now we have Julian Wyatt, they are on the call.

JULIAN WYATT: Yes, good afternoon. Thank you for the opportunity. Oh, no not a problem. Thank you for the opportunity to be in this space with you all today. I'm Julian Wyatt, CDFI

Director with Urban Strategies. Urban Strategy is a national non-profit that specializes in the design and implementation of place-based economic and human capital development strategies in neighborhoods that are undergoing large-scale transformation that is centered around housing. We work to make sure that the individuals and families who are going to be impacted by these large-scale projects have a support of services and resources at hand to improve outcomes in the areas of economic mobility, health, education and housing stability. We also serve as a non-profit loan fund, providing equitable and accessible capital as well as technical assistance to entrepreneurs and small businesses of color. I'd also like to uplift the fact that Urban Strategies is also an active member of the Underserved Mortgage Markets Coalition. So, in terms of improving access to opportunity and removing barriers to homeownership, the plan talks about how HUD can be used as a conduit or tool to bridging the wealth gap by utilizing the Housing Choice Voucher Program which is a great strategy to be included. Urban Strategies recently partnered with Urban Institute to conduct research on the Housing Choice Voucher Homeownership program’s use rates of uptake and demographics of participating public housing authorities. Our finding showed that there is a lack of households using the vouchers around the country. Out of about 2 million housing choice vouchers on the market today, only 11,000 are used as some homeownership vouchers. Contributing factors could include lack of awareness of the program, agency motivation, as well as feasibility, but more research is needed. Some individuals don't know that the Housing Choice Voucher

Program allows households with a voucher to apply their voucher to a monthly mortgage for 15 years rather than renting, which can place individuals on a different path to homeownership and also addresses the racial homeownership gap. So, just to show how critical the voucher program could have been this in stabilizing or creating wealth for historically underserved groups, I want to uplift one specific example. So in 2016, the average home price in Durham was about $185,000. Today the average home price in Durham is about $485,000. So just think about what FHFA could have did if they would have you know, partnered with HUD in Durham to create an affordable, for sale product where underserved individuals could see that $300,000 upswing in wealth creation. This significantly changes the family trajectory. So, within the plan we would encourage FHFA and the Enterprises to design and implement more innovative and creative programming with HUD as a partner at the table, working in high action and high alignment is essential to achieve equitable outcomes. Shifting gears, a bit, we know that pilot programs that aim to double down on and continue to grow affordable housing is critical because significant number of people of color are using affordable housing as a way to become and remain stably housed. One comment we had related to the housing related pilot programs included in the current plan, focuses on demonstration scale and impact. It seems as though some of the pilot programs mentioned the plan are relatively small at scale as of now. We're interested, we are interested in seeing what it looks like to scale and be even more pronounced based on need. Like Miss Jones mentioned in her opening remarks, we want to do more and meet the moment. At this point in time, we really can’t take incremental approaches to solving this issue. We also want to know how and what tools are being leveraged to intentionally bridge the racial wealth gap. The production of affordable housing is one piece of the puzzle, but just building affordable housing will not ensure that the economics within the household will change. We believe that strategies need to be included to help families improve their overall economic well-being as well. So, we applaud FHFA for issuing a rule making. In addition to my remarks, I like to add that the current proposal was missing some essential components for an effective program to hold the Enterprise accountable for addressing racial equity. Here are just a few things that could be added. One is plain guidelines, so we can see what success looks like. Incorporate the inclusion of explicit authority to reject poor plans, include grades or metrics describing success like CRA and DTS. Include FHFA’s process for evaluating performance, and lastly, we like to see a commitment to disclosing success or failure at the goal level so the public can meaningfully contribute. So, if FHFA makes these changes in the final rule, and we’ll be better positioned to address racial equity through the initiatives within this space. Thank you so much for your time.

DENISE LORENZEN: Thank you Julian. So, next we have our Odette Williamson followed by Sam Kinney. Odette.

ODETTE WILLIAMSON: Hi, good afternoon. Odette Williamson, I'm a Senior Staff Attorney at the National Consumer Law Center and Director of our Racial Justice Initiative and as mentioned earlier, NCLC is also a member of the Underserved Mortgage Market Coalition. I want to thank the FHFA for the opportunity to give input on the plans. The Enterprises' 2023 Equitable Housing Finance plans reflect several thoughtfully designed programs to reduce or remove barriers to housing for Black, Latino and other underserved communities. We really especially appreciate the focus on sustaining homeownership, making use of Special Purpose Credit Programs, and partnering with local community-based organizations for targeted solutions. I will focus on three areas to improve the effectiveness of the goals outlined in the plans. First, the focus and expansion of bank account cash flow data will increase access to credit for many consumers. We support the Enterprises continued promotion of this feature to mortgage lenders. The use of a consumer's rent payment history in underwriting poses more of a challenge, even with the reporting of positive rental data, as called for in the Enterprises plans, negative inferences may be made if there are months where rental payments are not recorded or are lower than the amount scheduled. Consumers need to fully understand the risk of reporting this data and they should give their express permission. In addition, if there is a fee involved, that should be disclosed up front and be limited, even if the fee is temporarily waived. We hope that the pilot initiative and the vendors engage with this pilot will fully take into account some of these challenges. Second, while we acknowledge that current market conditions are very, very challenging, we need to establish a foundation for increasing the availability of small dollar mortgages. Nearly 20% of owner-occupied homes in the US are valued at less than a $100,000, according to a 2019 American Community survey. And as we know, there's been a steep run-up in real estate values, so what is considered at the low end of the market has significantly changed. But these lower priced homes are a critical source of affordable housing for low- and moderate-income families, for first-time home buyers, and for households of color. Banks and other lenders either do not offer small dollar mortgages or deny small dollar mortgages to credit worthy borrowers at a higher rate compared to consumers who apply for larger loans. We need to preserve this supply of affordable housing by opening up financing channels for lower dollar mortgages. This means offering sustainable loans to purchase and to rehab modestly priced homes. The Enterprises could encourage lenders to create Special Purpose Credit Programs for small dollar loans in communities of color and other underserved markets. Of course, the Enterprises could also create pilots to focus on this issue. Third, we appreciate the focus on sustaining homeownership in the plans. With higher home prices, rising interest rates and a tight supply of affordable homes, more black and brown families are being priced out of homeownership. We need to also focus on preserving existing homes, not just to transfer generational wealth, but also to pass down an affordable home to the children and grandchildren of those older consumers who endured a lifetime of mortgage discrimination. The focus on sustaining homeownership should focus on heirs' property, over 77% of Black older adults do not have a will or estate plan. A property that is passed on informally to heirs and other family members is inherently unstable. Heirs who do not have record of ownership are not able to access traditional mortgage financing, disaster relief or other government benefits. Fannie Mae's research agenda calls for an analysis of heirs' property in the United States. This is a good start and we look forward to an action agenda that will address this common form of wealth stripping. We also do hope that the Enterprises' focus on sustainable homeownership, including the development of mortgage reserve accounts for maintenance and repairs, will consider the challenges posed by heirs' property, and we also hope that the Enterprises will support the community-based organizations and advocates who are right now launching projects to untangle these titles. I want to thank you for your time and we look forward to continuing the conversation on increasing housing opportunities for Black, Latino and other underserved communities.

DENISE LORENZEN: Thank you Odette. So, we will now go to Sam Kenney followed by Nikitra Bailey. Sam.

SAM KENNEY: Good afternoon everyone. My name is Sam Kenney, turn my camera on here. My name is Sam Kenney and I'm the Senior Housing Policy Analyst at UnidosUS. So UnidosUS is the nation's largest Hispanic civil rights and advocacy organization and through a national network of nearly 300 community-based affiliate organizations including our 50 HUD Certified Housing Counseling Agencies, we advocate for improved outcomes for the Latino community across a range of key issues and these include housing, homeownership and financial empowerment, and we are also a member of the Underserved Mortgage Markets Coalition. So, first off, this afternoon I want to thank Director Thompson and the Federal Housing Finance Agency team for the opportunity to provide comments today on the Equitable Housing Finance Plans. I will focus my comments on the barriers identified for sustainable housing for the Latino community. So, Latino homeownership plays a pivotal role in the US housing sector. According to the Urban Institute, over the next 20 years, Latinos will comprise over 70% of America's net new homeowners so understanding and overcoming Latino-specific barriers is not only a matter of equity but also of safety and soundness. With that in mind, we appreciate the significant body of research done by Fannie Mae and Freddie Mac to identify key barriers to safe and sustainable housing for the Latino community in the Equitable Housing Finance Plans. This research, the identification of key barriers and the initial implementation of the Equitable Housing Finance Plans are really critical first steps to addressing existing gaps and improving homeownership outcomes for the Latino community today and moving forward. So, the barriers identified for the Latino community are largely accurate and reflective of real-world challenges. Specifically, I want to call out the challenges of the misalignment with traditional financing of household composition. So for example, such as multi-generational households, as well as households with distinct financial profiles, citizenship status and language access, these are issues and barriers that really stood out to UnidosUS and our affiliate members as key barriers to the Latino community to access safe and affordable housing. And beyond the specific barriers identified in the Equitable Housing Finance Plans, it is also important to remember that the there is a vast diversity and geographic spread of the Latino community across the nation, facing a variety of issues and barriers. And this really implies the existence and need of localized nuance that may not be captured in a macro level or analysis, and so we definitely encourage ongoing research to allow for tailored solutions moving forward. One example of a specific barrier that has been repeatedly raised by our affiliate community is the lack of safe and affordable Individual Taxpayer Identification Number solutions in the secondary market to meet the needs of these tax paying individuals. I use that as one example of feedback that we received from the community about a specific barrier and for consideration for future research. And while the identified barriers provide a realistic picture of the issues facing the Latino community, our primary enthusiasm really lies in devising and executing effective solutions to overcome these barriers so we appreciate the efforts in the Equitable Housing Finance Plans. In particular, I wanted to name a few of the of the top actions and solutions that we find to be effective within the community. First, reducing overall cost, and second, establishing down payment assistance program pilots, and third, support for expanded housing counseling services. We encourage the expansion of these efforts broadly as well as other actions within the plans and then also specifically with respect to the barriers that are faced by Latino communities. We believe that these programs and pilots can have a significant impact if they are brought to scale and really invite collaboration and partnership with our network of individual organizations to expand solutions to overcome specific barriers. And then lastly, with improved outcomes in mind, we support a regular practice of disclosing successes and failures to increase transparency tracking and set the stage for iterative improvements over time, and with respect to the Equitable Housing Finance Plans, as discussed in the fair lending and fair housing requests for information, we also support efforts to measure the success of the Equitable Housing Finance Plans and generally support transparency in the evaluation methods and metrics again with the hopes of improving and iterating on actions today to make them better tomorrow. So, thank you, for the opportunity to speak this afternoon and we look forward to continued partnership to expand racial equity in the American housing market.

DENISE LORENZEN: Thanks Sam. So, we'll now pass it on to Nikitra Bailey followed by Daniel Elkin. Nikitra.

NIKITRA BAILEY: Thank you for the opportunity to speak during today's listening session. I am Nikitra Bailey, Executive Vice President at the National Fair Housing Alliance. Next slide please. Nothing leads to the fair housing movement by working to eliminate housing discrimination and ensure equitable opportunities for all communities and people. Next slide please. There is ample opportunity for the GSEs to meet their statutory obligations in charter missions and increase purchases of loans to consumers of color. Freddie Mac's own research reveals that there are more than 17 million mortgage ready Black, Latino, Native, Asian, and other borrowers of color that are not being served. Research from the Urban Institute suggests there are more than one million missing mortgages from the U.S. financial markets each year and a disproportionate percentage of them are borrowers of color. In addition to the GSEs' historical record of supporting and adopting discriminatory policies and actions, they still engage in actions that have a discriminatory effect on consumers of color. These actions include using a credit scoring system for pricing of loans that has a discriminatory effect on underserved borrowers and adopting a pricing scheme--

DENISE LORENZEN: Nikitra, sorry to interrupt you, we're having a little bit of hard time hearing you can speak up please.

NIKITRA BAILEY: Sure. And that discriminates against Black, Latino and other borrowers of color. Next slide please. We commend FHFA under the direction of Director Sandra Thompson for requiring the GSEs to take the important step of issuing Equitable Housing Finance Plans with a particular focus on reducing racial and ethnic homeownership gaps and reducing under-investment and property undervaluation and formerly redlined areas. Today's families of color lag far behind wealthier and white communities that were advantaged by limited discrimination supported by our federal government's lengthy history of mortgage policies and private actions that have led to vast disparities in homeownership and wealth. In order to grow homeownership and the American middle class, we need to have equitable access to mortgage credit on fair terms for all credit worthy borrowers, regardless of their protected class status. Such non-discrimination is required under existing statutes and regulation is essential to closing the homeownership and wealth gaps that have long plagued America's housing finance system. It also makes good business sense. The demographics of the nation are undergrowing a dramatic shift. 7 out of 10 every new household formed over the next decade will be households of color and a healthy housing market depends on these families having equitable access. The GSEs' equity plans must build out their important public missions including supporting innovative programs to increase credit access for underserved borrowers of color and this is why NFHA and 14 of our partners submitted a very detailed comment in support of the Enterprises entering into equitable housing, thank you. Next slide please. At this point, what I'll do is walk through recommendations based on what we've seen to date, and we have several recommendations that I'd like to lift up. The first one is that the Equitable Housing Finance Plans do not address AI and tech equity. The GSEs should embrace innovative technologies designed to significantly reduce and ultimately eliminate bias and AI based systems including artificial intelligence. Next slide please. The next one is on Special Purpose Credit Programs for first generation home buyers. We are excited about the incorporation of Special Purpose Credit Programs and the plans, and we also want to strongly encourage that FHA require the GSEs to support targeting loans and down payment assistance to first generation home buyers by insurer and liquidity similar to the liquidity provided for first-time home buyer programs. We also want to encourage the adoption of first-generation affordable programs based on or substantially similar to the proposals that we submitted on and created with the Center for Responsible

Lending. Thank you. Next slide please. We also believe that there needs to be a full elimination of loan level price adjustments as the regulator of the GSEs, FHFA should fully eliminate LLPAs as they have a disproportionate impact on underserved borrowers of color and prices them out of the conventional marketplace. We also believe the GSEs should adopt the stance of civil rights advocates who have pushed for the elimination of LLPAs put in place during the Great Recession and restrict access to quality credit for borrowers. Next slide please. Valuation modernization and equity, the GSEs should do a thorough review of their appraisal guidelines including the uniform residential appraisal report to ensure that appraisal guidelines mitigate any potential fair lending risk and any potential harm to people and communities of color. We also believe the GSEs should refer all appraisal quality management letters to HUD’s FHEO in addition to sending the letters to appraisers with confirmed findings. Also, the GSEs should send all matters referred to State regulators to HUD's FHEO. Next slide please. Social bonds, both GSEs must ensure a fair housing and lending lens are incorporated in indices, frameworks, and other guidelines for mortgages that will qualify for a social bond, essentially projects or loans that do not affirmatively further fair housing must not qualify for the ESG or social bond designation. Next slide please. Servicing and REO, I won't get through all of these, but I want to lift up, we are calling for greater data information to make sure that it's maintained by race and ethnicity of the borrowers and that any disaggregation of outcomes is also desegregated by race and ethnicity and loss mitigation, and I will focus in here on the final three. We need to make sure there is effective oversight of asset management companies to ensure compliance with policies including fair housing requirements. We need to ensure that all policies for the maintenance and marketing of REO properties are fair and non-discriminatory and ensure all servicers and vendors have received accurate and adequate fair lending. Next slide please. Affirmatively furthering fair housing, FHFA has an obligation to carry out its work in a manner that AFFH and its requirement that the GSEs have equitable housing plans is consistent with this obligation. The GSEs have an obligation to AFFH, and their plans must reflect this responsibility. We are calling for the GSEs to participate in the HUD mandated fair housing planning process in at least 15 cities. This should not be a substitute for what the Enterprises do in their own Equitable Housing Finance Plans. We're also saying that the GSEs can support local for-housing planning by sharing data about expanding equitable housing and community opportunities, participating in community engagement sessions and providing insight on the housing and lending markets. Next slide please. And we also want to make sure we affirm many of the remarks we heard today about ensuring on complete processes that allow for adequate metrics and focusing on underserved consumers of color outlined by the National Association of Real Estate Brokers and UnidosUS. Thank you.

DENISE LORENZEN: Thank you Nikitra. I will now pass it on to Daniel Elkin followed by Willie Fleming.

DANIEL ELKIN: Hello, I'm Dr. Daniel Elkin and I'm the

Director of Policy at Come Dream Come Build, CDCB in Brownsville, Texas. CDCB is one of the largest developers of affordable housing in Texas serving an almost exclusively Latino client base and persistent poverty communities along the U.S.-Mexico border. Our own CDFI, the Rio Grande Valley multibank, is a member of the Federal Home Loan Bank of Dallas. We are a seller servicer for both Fannie and Freddie, and we are a member of the Underserved Mortgage Markets Coalition. I'd like to begin by thanking the FHFA for the opportunity to provide comment today. The Equitable Housing Finance Plans put forward by Fannie and Freddie are important first steps in identifying the obstacles preventing homeownership in the Latino community. The proposed actions, although reduced in impact by the present difficult market, possess the potential to forge broader access and racial equity at every step in the American homeownership journey. Among the most exciting vehicles for change are the proposed special purpose credit programs, especially those coupled with access to down payment assistance. CDCB knows from experience, down payment assistance is far and away the most effective tool for materially changing the difficult financial math faced by low-income families of color looking to make the jump to homeownership. While we acknowledge the importance of initially piloting these programs to test their safety and soundness, we believe the GSEs can broaden the variety of their pilot programs. While there is an acknowledgment in the plans that there is no monolithic journey to homeownership, much of the pilot program design is urban focused, with initial rollout of programs paired with down payment assistance taking place exclusively in major urban areas. We invite both Fannie and Freddie to engage with us and others to begin to design a new round of pilot programs for rural areas of different types, including Colonias. FHFA's newly adopted and thoughtfully constructed Colonia definition, and we cannot thank you enough for that new definition, opens a reservoir of untapped potential and the ability to reach millions of prospective Latino home buyers in areas that are uniquely lacking in flexible capital. In short, let's work together to put this new and more accurate definition to work. For the FHFA, the impact of this sort of engagement between the GSEs and on the ground practitioners could be leveraged far more productively with increased guidance from the FHFA on the Equitable Housing Finance Plans. This should include specific plan guidelines to establish what success looks like for the GSEs. In addition, FHFA should make explicit its ability to reject plans that are lacking in either ambition or design. Just as Duty to Serve has mechanisms for accountability, so too, should the Equitable Housing Finance Plans. These should include grades and metrics that make success measurable. These coupled with transparency in the FHFA's evaluation methods would make conversations between practitioners and the GSEs particularly productive. Transparency creates a partnership built on equal footing where all come to the table with the same knowledge and language to more substantively collaborate on best practices for implementation of programs in our unique communities. We look forward to our continued partnerships with Fannie and Freddie and to the continued growth within those partnerships so as to expand racial equity in the American housing market across all types of communities. Thank you.

DENISE LORENZEN: Thank you Daniel. So, now we will go to Willie Fleming followed by Daniel Janzow. Willie. Looks like Willie may have dropped, he may have been having technical difficulties. So, we will now then go to Daniel Janzow.

DANIEL JANZOW: Good afternoon and thank you for allowing me to speak with you today. I am Daniel Janzow speaking on behalf of Lincoln Institute of Land Policy. The Lincoln Institute is a non-profit organization that seeks to improve quality of life through effective use, taxation, and stewardship of land. The Lincoln Institute is also a member of the Underserved Mortgage Markets Coalition, a group of over 25 mission-driven organizations that seek to hold Fannie Mae and Freddie Mac accountable for their founding purpose to bring housing finance opportunities to American families not traditionally served by the private market. In my comments today, I plan to address several aspects of multi-family programs, the notice of proposed rulemaking on Equitable Housing Finance, and the overlooked Federal advisory committee on affordable equitable and sustainable housing. I want to begin my remarks by mentioning that we were very encouraged to read that the Enterprises are positively advancing their Equitable Housing Finance Plans to include the Latino journey, expansion of financing, and intend to extend several programs in this next iteration. Turning to the treatment of multi-family programs in initial year of EHF, I'll start by saying that, we support many of the changing aspects to the multi-family borrower programs, and the overarching goal of increasing opportunities for diverse and emerging multi-family borrowers. The updates to the Equitable Housing Finance Plan clearly shows a focus on both multi-family borrowers and residents, and an acknowledgment of the critical need for high quality affordable rental housing in the United States. We appreciate the continued engagement in lending around liquidity for CDFIs, MDIs and small banks, as well as the recognition of appraisal inequity in multi-family properties. We recommend that Freddie Mac's program goal expands correspondent relationships with small lenders financing multi-family projects in communities underserved by Freddie's current Optigo lender network. Freddie should also work to develop program guidelines which will sufficiently compensate the small financial institutions participation through fees or other mechanisms. The Lincoln Institute also welcomes Fannie Mae examining internal barriers for BIPOC families and multi-family property owners. Small multi-family property owners have the largest share of owners of color in the nation with research indicating that 13% of such owners are Black and 15% are Hispanic. However, these property owners are less likely to have federally backed mortgages. The Lincoln Institute recommends that Fannie Mae publicly release their research on this topic and the resulting plan on how to reduce barriers through this underserved population. We also embrace the exploration of security deposit barriers to assessing rental housing and the expansion of sponsor-initiated affordability in multi-family preservation. Although both plans show promise, we oppose the modest pullback of the targets for the rehabilitation of afford and affordable housing preservation of multi-family properties and urge both Enterprises to adhere to their original goals. Next, we'll offer brief commentary on the AHF plan process relating specifically to question six. We acknowledge that many of the goals set by the Enterprises are lofty, and this only emphasizes the need to establish a robust rule for these Equitable Housing Finance Plans with measurable outcomes, but we applaud FHFA for issuing rulemaking. The current proposal is missing many essential components the effective program or for an effective program to hold the Enterprises accountable for addressing racial equity. To reiterate what many of my colleagues have said, we've heard a lot today, establishing a rule on Equitable Housing Finance should include plan guidelines, public disclosure, phase measurements for success, both, for plans and performance. The explicit authority to reject the plans should either of the Enterprises not fulfill the criteria enforced by FHFA, grades or metrics to rate and describe the success of the plans, and disclosure of the success at a goal level to allow practitioners to monitor and encourage the progress of these plans. All of these elements are crucial to ensuring strong and measurable plans. My last comment focuses on the long pending notice for federal advisory committee. On August 26th of last year, FHFA published a notice of intent to establish a federal advisory committee on affordable equitable and sustainable housing. Many of the members of the Underserved Mortgage Markets Coalition are and were eager to participate in that committee. We continue to support the development of this group and believe that this Federal advisory committee will help aid the funding process at

FHFA not just for EHF and several other ways. We ask that FHFA make a commitment to announce the timeline that will result in an initial Federal advisory committee meeting by September 1st, 2023. I thank you for the opportunity to provide input, and we look forward to commenting formally on the changes to the Equitable Housing Finance plans if given the opportunity.

DENISE LORENZEN: Thank you Daniel. So, we are way ahead of schedule and so we're now concluding the listening session on the Equitable Housing Finance Plan. Thank you for your time and your willingness to engage with us on these issues. As a reminder, we have a notice of proposed rulemaking on fair lending, fair housing and Equitable Housing Finance Plans which closes on June 26th. We also have our Fair Lending Oversight page which we welcome your questions and feedback on the fair lending program through the email fairlending@FHFA.gov. So, thank you again everyone for taking the time to be with us here today at the listening session with that we can go ahead and conclude.