**Comments on RFI on Equitable Housing Finance Plans**

**Submitted to the Federal Housing Finance Agency**

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June 6, 2024

**Section 8 Homeownership Vouchers**

Fannie Mae and Freddie Mac are not leveraging the full opportunity of the HUD Housing Choice Voucher Homeownership program, and as a result, are leaving a critical low-income homeownership program in the marketplace under-used. This has an impact on Black and Latino homeownership, because over sixty percent of Section 8 Housing Choice Voucher holders are Black or Latino.

There are 2.3 million Section 8 voucher holders, but less than 10,000 are homeownership vouchers. All Section 8 voucher holders are low income, since Section 8 is limited to people making 50% of median income or less. Under Section 8, the homeowner pays out 30% of their income to cover principal, interest, property taxes, and insurance (PITI). The remainder will be paid by the Section 8 homeownership voucher. However, Fannie Mae and Freddie Mac do not evaluate Section 8 mortgage applications as a direct reduction to the monthly amount paid. Instead, the GSEs treat the monthly payment as increased income coming into the household. This increased income, even when it is plussed up, will allow the borrower to qualify for a little larger mortgage, but is underwritten based on the entire PITI. In contrast, FHA and portfolio lenders offset or subtract the amount of the voucher payment from PITI and qualify based on the remaining amount, which is the amount that the borrower pays every month, provided that the monthly voucher payment is sent directly to the lender. The offset method allows the borrower to qualify for a larger mortgage amount, which is critical in today's high-cost market. Fannie Mae and Freddie Mac should offset the homebuyer voucher subsidy when qualifying the mortgage, actively support the Section 8 Housing Choice Voucher program for homeownership, and support housing counseling to assist the Section 8 Housing Choice Vouchers that want to become homeowners.

**Homebuyer Education**

Regarding Fannie Mae's HomeView online homebuyer education. While we see some positive changes to the curriculum and the online program, it continues to fall short overall. For example, in the first module, there is a roadmap graphic outlining the homebuying process. The first step on this roadmap is to get pre-qualified, and the second step is to connect with a real estate agent. However, meeting with a housing counselor is not mentioned on this roadmap. There is small print under the roadmap encouraging those who need help to contact a HUD-approved housing counseling agency, but housing counseling should be the first step on that roadmap, especially for first-time and first-generation homebuyers. Additionally, the National Association of Realtors settlement impacting how commissions are paid is causing confusion. Buyer agents are essential members of the homebuyer team, but they earn income from commissions. Housing counselors can help homebuyers understand the process of negotiating a contract with a buyer agent so that the terms are in the homebuyer’s best interest. Housing counselors' only goal is to ensure the homebuyer gets the best possible deal; they have no skin in the game. Sometimes that means advising the consumer that they just aren’t ready to buy.

**Housing Counseling Loan Level Price Adjustment (LLPA)**

Speaking of the importance of housing counseling in the homebuying process, we thank Fannie Mae for including a $500 LLPA credit when a HomeReady purchaser uses housing counseling. Unfortunately, most housing counseling agencies never see this credit, which is intended to pay for the counseling. Instead, lenders are taking the credit and using it for purposes other than funding housing counseling. At a time when HUD OHC continues to experience budget cuts, even though housing counseling is becoming increasingly important, housing counseling agencies need all the support they can get for their high value work.

**Downpayment Assistance Tool**

Regarding the Freddie Mac Equitable Housing Plan, we are excited about the down payment assistance tool and pleased that housing counseling agencies are being invited to use the resource.

**First Generation Homeownership Definition**

We support the work being done to develop a First Generation Homeownership definition. We support the definition from FHFA and also support the improvements proposed by the National Fair Housing Alliance. We want to add one other concept which will be helpful especially Black First Generation Homebuyers. In mortgage programs that were limited to First-Time-Home-Buyer that required that the buyer not own property currently, we found plenty of Black buyers who had a small share of ownership in family property, very commonly in North Carolina, South Carolina, Georgia, or Alabama. Preserving this legacy ownership is important and, if it is not their residence, should not prevent them from qualifying as a First-Time-Homebuyer or a First Generation Homeowner.

**Loss Mitigation**

We applaud the efforts of the Mission Servicing Oversight Framework to ensure homeowners get information about loss mitigation options as early as possible when becoming delinquent. It seems the intent is to help delinquent borrowers through HUD approved housing counseling agencies. We hope this continues and grows since consumers are wary of their servicer, especially when they are delinquent. This is true no matter how nice or knowledgeable the servicing representative is because the servicer can take their home. Homeowners are nervous about what they say and about talking frankly regarding their finances.

**Affordable Housing Targets**

Concerning the affordable housing targets, while showing improvement in the past five years, neither of the Enterprises served Black and Hispanic/Latino homebuyers at the same level as White homebuyers. The population of Black consumers in the U.S. is roughly 13%, 19% Hispanic/Latino, and 60% White. Both Enterprises average around 7% for Black homebuyers, 15% for Hispanic/Latino homebuyers, and 66% for White homebuyers. While these numbers represent an improvement from 2020, we believe it can and should be at least in line with the actual percentage of the racial breakdown in the U.S. More effective integration of the Section 8 Housing Choice Voucher program for homeownership would be a good first step to addressing the gaps.

**Community Outreach to Underserved Populations**

Both Enterprise plans include efforts to conduct outreach, especially for the Special Purpose Credit Programs. Done right, this could potentially be one tool to address the racial homeownership gap and allow more consumers of color to gain access to affordable homeownership. We would be interested in helping the Enterprises conduct effective outreach partnering with housing counseling agencies in target markets. We have demonstrated success reaching Black and Latino consumers with in-person and virtual events done in partnership with housing counseling agencies. Being local to the communities they serve, housing counselors are a trusted resource and can reach consumers that are harder for lenders to connect with.