



**Testimony of Emmerson McClintock, Policy Analyst, National Community Stabilization Trust
Federal Housing Finance Agency Listening Session
Equitable Housing Finance Plans
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Good afternoon and thank you for the opportunity to speak today. My name is Emmerson McClintock and I work as a Policy Analyst for the National Community Stabilization Trust (NCST). NCST is a national nonprofit that works to increase homeownership by expanding the supply of affordable, single-family homes to stabilize neighborhoods, build community wealth, and advance racial equity.¹ We do this by facilitating the sales of distressed homes to community-based partners, providing technical assistance and capital for single-family rehab, and conducting federal policy advocacy grounded in our knowledge of local housing markets across the nation.

To help ensure that NCST's policy recommendations are rooted in the practitioner perspective, we also manage a nonprofit-led advocacy coalition called the Homeownership Alliance.² The Homeownership Alliance is a practitioner-led coalition of 20 CDFIs and nonprofit housing developers serving 16 states. As members of the Underserved Mortgage Markets Coalition, both NCST and the Homeownership Alliance seek to advance racial equity by strengthening neighborhoods of color and promoting racial equity in homeownership — values which are central to the Enterprises foundational missions of advancing opportunities for underserved communities within the housing finance system.

NCST is extremely appreciative of the steps the FHFA has taken to help correct the inequities in our housing finance system through the release of this final rule,³ and are excited to see some of our previous recommendations addressed,⁴ which include but are not limited to:

- *Conducting research evaluating the impact of appraisal standards on borrowers in communities of color*

The FHFA's Uniform Appraisal Dataset Aggregate statistics found that properties located in minority tracts have a higher proportion of appraised values less than the contract price. Conducting robust research like this will help the FHFA to better understand the underlying discriminatory practices within appraisals in communities of color, and help practitioners to make well-informed policy recommendations to combat these practices moving forward.

- *Taking measures to reduce the Enterprises' Automated Underwriting System (AUS) accept-rate gaps by releasing data on Fannie Mae and Freddie Mac's underwriting systems*

¹ [About](#), (2024). NCST.

² [Homeownership Alliance](#), (2024). NCST.

³ [89 FR 42768](#).

⁴ On October 25, 2021, NCST submitted a [comment](#) in response to FHFA's Request for Input on the Enterprise's Equitable Housing Finance Plans.



We recognize and appreciate FHFA's efforts to move away from an automated, more subjective underwriting system, and believe that the release of these data will allow the Enterprises to more effectively analyze which communities are being disproportionately impacted by current practices.

- *Reiterating the need for the Enterprises' to take actions that undo historic patterns of segregation and other types of discrimination to underserved communities by centering this proposed rule around the "January 2021 Presidential Memorandum on Redressing our Nation's and the Federal Government's History of Discriminatory Housing Practices and Policies."⁵*

While this rule is a major step forward in addressing issues of equity in our housing finance system, particularly for communities of color and others chronically underserved by the mortgage market, FHFA can take additional steps to further strengthen programming and build on the new rule. We recommend FHFA:

1. Take measures to further increase transparency with external stakeholders by disclosing performance ratings and developing clear public evaluation metrics

In its Request for Input (RFI), the FHFA asked commenters whether or not an evaluation of the Enterprises' equitable housing performance should be publicly issued, and if evaluation metrics should be included in the Enterprises' public performance report.

NCST was and continues to be extremely supportive of implementing these measures. Doing so would dramatically enhance transparency with stakeholders, and would also help indicate successes or failures in advancing equitable housing finance. Not only would implementing these changes inform the public of clear progress updates, but it would also allow stakeholders to independently analyze metrics that are either helping or hindering progress, and provide subsequent policy recommendations on ways the GSEs could move forward. However, the final rule as written only requires that the Enterprises publish a loose, evaluative narrative rather than granularly disclosing the successes or failures on reports, and does not develop public evaluation metrics.

As such, we urge FHFA to disclose its supervisory ratings to the public, design and implement a public evaluation system with actual, concrete ratings, and require that the Enterprises report performance on each objective in their respective plans. We suggest FHFA look to its current Duty to Serve program as an appropriate reporting model, and consider implementing a similar structure for its Equitable Housing Finance Plans.

2. The Enterprises should note language specificities that may exist among larger populations, and evaluate subsequent pathways to reach these communities

The final rule included regulatory codification for the Enterprises to collect, maintain and report data on language preference. This is a positive step forward, in that it will support efforts to reach underserved populations that would otherwise struggle to understand information being presented to them in English.

⁵ [Memorandum on Redressing Our Nation's and the Federal Government's History of Discriminatory Housing Practices and Policies](#), (Oct 25, 2021). The White House.



However, the Asian American, Native Hawaiian, and Pacific Islander (AANHPIs) community represents over 30 countries, speaks over 100 languages, and has distinct histories, cultures, and circumstances that directly impact their experiences in the US mortgage market.

As a result, it is critical that FHFA uphold its commitment to ensuring equal treatment of all renters and homeowners regardless of race, and disaggregate data to the greatest extent possible to illuminate trends and potential disparities often hidden in aggregate numbers. We understand this will take additional time and resources from FHFA and the Enterprises. However, there are communities that continue to face barriers to the housing finance system because they fall outside of FHFA's current translation offerings, which are limited to Korean, traditional Chinese, Vietnamese, and Tagalog.

3. The Enterprises should reevaluate their practices regarding distressed properties and note sales

It is the fundamental belief of both NCST and the Homeownership Alliance that a strong and mission-driven nonprofit delivery system is a vital component to increasing equity in our housing finance system, and the Enterprises can and should do more to empower these entities by way of note sales.

The GSEs existing note sales practices currently operate to restrict the supply of affordable homes available for owner-occupancy, and nonprofits are unable to meaningfully compete with large investors and are often outbid by these well capitalized entities.

FHFA should look to create a pool of loans only offered for sale to nonprofits and government entities, and require that all note sales achieve a certain neighborhood positive outcome (i.e. a certain percentage of first time homebuyers or owner-occupants).

We appreciate the FHFA's commitment and willingness to increase equity within our housing finance system, and view this final rulemaking as a tremendous step forward in achieving such goals. Despite this being a step in the right direction, there is still much work to be done in order for underserved communities to reap the full benefits of our housing finance system, and FHFA and the Enterprises must do more to ensure this program remains robust, effective and sustainable for generations to come.

If you have any questions, please feel free to contact Emmerson McClintock at emcclintock@ncst.org. Thank you.