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October 28, 2024

Sandra L. Thompson
Federal Housing Finance Agency
400 7th Street SW, 9th Floor
Washington, DC 20219

RE: Request for Comment on FHFA 2025-2027 Enterprise Housing Goals (RIN-2590-AB34)

Dear Director Thompson:

Thank you for the opportunity to comment on the Federal Housing Finance Agency's (FHFA) 2025-2027 Enterprise Housing Goals. The FHFA plays a critical role in supporting housing finance and community development, and its purchasing goals have the capacity to drive the Enterprises toward greater equity and make homeownership possible for more low-income households and households in historically redlined communities. We appreciate FHFA's active commitment to expanding affordable homeownership through establishing benchmark levels of loan purchases for low-income and minority census tract homes. However, we also see untapped opportunities to build on this progress. The recommendations below outline ways the FHFA and the Enterprises can work together to strengthen the proposed housing goals and deepen their commitment to this vital work.

About Inclusiv

Inclusiv is a nonprofit community development financial institution (CDFI) intermediary and national network of community development credit unions (CDCUs) committed to promoting financial inclusion and equity through credit unions. The Inclusiv network represents more than 500 credit unions and cooperativas serving more than 20 million people in predominantly low-income urban, rural, and reservation-based communities across the United States, including Puerto Rico, Guam, and the U.S. Virgin Islands. Inclusiv channels capital to and builds the capacity of these institutions that are dedicated to serving low-income people and redlined and disinvested communities.

One of Inclusiv's primary activities as a CDFI is providing a secondary market for high-impact mortgage loans, primarily loans to borrowers of color and/or borrowers in rural markets. To support that work, Inclusiv is a member of the Federal Home Loan Bank of New York and has sold mortgages—that have experienced no losses—to Freddie Mac but continues to face barriers to selling to the Enterprises on an ongoing basis. The Inclusiv/Mortgage portfolio is comprised of $28.4 million in mortgages, and homeowners with mortgages financed through Inclusiv/Mortgage increase their equity by $21.5 million, an average of $114,000 per homeowner. 77% of these mortgages went to low- and moderate-income homeowners, and 51% went to homeowners of color.

39 Broadway Suite 2140, New York, NY 10006 | T. 212 809 1850
inclusiv.org | info@inclusiv.org

Inclusiv's extensive and successful track record of supporting high-impact mortgage lending to low- and moderate-income borrowers and borrowers of color is a clear demonstration that the Enterprises must do more to support homeownership opportunity in underserved communities.

Increase Rigor of Housing Goals to Promote GSE Leadership in the Housing Market

The single-family low-income home purchase goal and very low-income home purchase goals have both declined from the previous goals, shifting from 28% to 25% and from 7% to 6% respectively. The FHFA should be progressively increasing or, at a minimum maintaining existing, rigor as the Enterprises build up their programming around equitable housing finance, but these proposed goals are taking a step backward. While we understand that the benchmarks are determined based on anticipated market levels of mortgages that would be eligible for purchase by the Enterprises, the anticipated market levels (26.1-27.2% for low-income homes and 6.6-6.7% for very low-income homes for 2025-2027) should represent a baseline. Moreover, the Enterprises' most recent performance report shows that Freddie Mac met or exceeded these goals each year for the past five years and Fannie Mae met or exceeded these goals in four of the last five years, signifying that there is room for the goals to grow while remaining reasonable and attainable.

Institutions, like community development credit unions, lending in low-income areas have significant liquidity needs and are the most experienced in providing affordable mortgage terms to the communities they serve. They are able to lend successfully because they know their communities' needs and often underwrite loans manually, which gives them a clearer picture of risk and creates opportunity for higher impact lending than automated underwriting. Given that the Enterprises were created to provide liquidity, stability, and affordability to the mortgage market, purchasing more loans from lenders serving low-income areas is one of the most direct and effective ways to fulfill their mission and make the strongest impact. As previously detailed, Inclusiv's mortgage portfolio demonstrates that purchasing a greater percentage of mortgage loans to low-income borrowers can be done without compromising loan performance. Increasing capital and liquidity available to community lenders in low-income areas is critical to addressing the housing affordability crisis, and raising the 2025-2027 benchmarks is a necessary step to meet this magnitude of need.

In contrast, the increased goal for minority census tracts is a step in the right direction given that the GSEs were able to lead the market and exceed the previous minority census tract goal. FHFA should continue to increase this goal over time and commit to strong Duty to Serve plans informed by historically redlined and excluded communities given the critical need to close the persistent racial and ethnic homeownership gaps that perpetuate inequality in the United States.

Thank you for the opportunity to provide input on the 2025-2027 Enterprise Housing Goals. We value the FHFA's continued efforts to expand affordable housing opportunities for low- and moderate- income communities and communities of color and are hopeful that raising the benchmarks can make homeownership a reality for more people across the country. For any questions regarding these comments, please contact Alexis Iwanisziw, SVP Policy & Communications, Inclusiv (aiwanisziw@inclusiv.org).

Sincerely,

Eben Scheaffer
Chief Financial Officer, Inclusiv