October 25, 2021

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

RE: Enterprise Equitable Housing Finance Plans

Dear Acting Director Thompson:

The Mortgage Bankers Association (MBA)[1] thanks the Federal Housing Finance Agency (FHFA) for the opportunity to respond to its request for input (RFI)[2] regarding the Equitable Housing Finance Plans to be developed by Fannie Mae and Freddie Mac (the Enterprises). We appreciate FHFA's efforts to address our nation's long-standing challenges related to housing equity – particularly with respect to the racial homeownership gap. The creation and implementation of these plans is a clear indication of FHFA's commitment and proactive approach to these issues.

FHFA's efforts in this area are well aligned with MBA priorities and initiatives. In 2020, MBA established a Joint Task Force comprised of members of our Residential Board of Governors and our Affordable Homeownership Advisory Council to: 1) promote policies that support sustainable homeownership for communities of color and 2) promote access to fair, equitable, and responsible lending for minority borrowers. Based on the Task Force's recommendations, MBA recently announced its new initiative on Building Generational Wealth through Homeownership.[3] The goal of this initiative is to reduce the

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 330,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 1,900 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

[2] Federal Housing Finance Agency, "Enterprise Equitable Housing Finance Plans," September 7, 2021. Available at: https://www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/Equitable-Housing-Finance-Plans-RFI.pdf.

[3] "MBA Announces Policy Initiative to Close the Racial Homeownership Gap," September 20, 2021. Available at: https://www.mba.org/2021-press-releases/september/mba-announces-policy-initiative-to-close-the-racial-homeownership-gap.

racial homeownership gap and provide African-American and Hispanic families with opportunities to benefit from the wealth-building potential of sustained homeownership.

Through our ongoing work on these issues, MBA has developed the following list of policy recommendations we believe should be included in the Enterprise Equitable Housing Finance Plans. By taking meaningful steps to implement the actions below, the Enterprises should be able to facilitate better opportunities for minority households to obtain access to affordable housing and, for those who are seeking homeownership and are mortgage-ready, opportunities to obtain access to affordable credit.

- The Enterprise plans should include steps to expand the pool of minority borrowers eligible for Enterprise-backed financing. This could be achieved by increasing the income thresholds on the Enterprises' affordable housing products, particularly in high-cost areas. Recent steps on this front with respect to refinance opportunities for low-income borrowers will be helpful, and similar efforts could be undertaken with respect to the HomeReady and Home Possible offerings. The Enterprises also could remove unnecessary pricing adjustments on rate and term refinances (i.e., with no cash out) that lower monthly payments for consumers. Reversing credit score-related pricing adjustments on low down payment products in specific metropolitan areas and considering alternative credit measures also could help increase this population of borowers.

- The Enterprises should evaluate options (potentially in partnership with the Treasury Department) to expand secondary market pools and programs that would benefit minority borrowers and communities. This could include expanding disclosures and modifying pooling practices for loans to minority and lower-income borrowers in order to attract investors with environmental, social, and governance (ESG) goals. ESG investor interest could improve pricing and deepen liquidity for these loans.

- Special Purpose Credit Programs (SPCPs) are a potentially valuable tool that could help lenders extend Enterprise-backed financing to certain historically underserved populations, including minority households. SPCPs can be flexible across business channels and models to accommodate lenders of all types and sizes, as well as flexible in their design to serve different target populations of consumers. Increased industry usage of SPCPs, however, is dependent on improved regulatory clarity issued by the Department of Housing and Urban Development with respect to their permissibility under the Fair Housing Act. The plans could affirm the Enterprises' support for SPCPs and serve as a starting point for developing scalable, replicable, Enterprise-based SPCPs.

- The Enterprises should engage, as appropriate, with stakeholders that are taking steps to lower or eliminate down payment barriers for minority borrowers through forgivable grants, savings incentives, and other funding sources. These initiatives have the potential to improve access and affordability without compromising

Enterprise or lender safety and soundness. Well-designed down payment assistance should be stackable, uniformly administered, accepted within current marketplace practices, accessible to borrowers, and easily operationalized by lenders. The Enterprises should use their market expertise to assist these stakeholders with technical assistance as needed.

- The Enterprises should partner, as appropriate, with organizations that raise awareness with minority homeowners of the resources available to improve affordability and maintain sustainable homeownership. Partnering with agencies and non-profits that provide post-closing education for minority borrowers, for example, could prove to be beneficial. These efforts on the part of the Enterprises should leverage their collective intellectual and financial resources, though it would be inappropriate for them to include direct contact or communication with borrowers.

- The RFI addresses the Enterprises' multifamily businesses by including two optional objectives related to tenants. In their roles as liquidity providers in the secondary market for multifamily mortgages, however, the Enterprises are multiple levels removed from tenants. Tenant screening and other conduct identified in the rental-related objectives is not caused by Enterprise actions and is outside of the direct ability of the Enterprises to influence. We therefore believe the plans should not include direct interventions by the Enterprises to address those objectives. With respect to advancing housing equity by helping renters with little traditional credit history become homeowners, the Enterprises should explore options to allow these renters to leverage a record of on-time rental payments to qualify for a single-family mortgage loan. Fannie Mae recently began offering the ability to consider on-time rental payments in its single-family automated underwriting system for borrowers who grant applicable permissions to view their financial records. Both Enterprises should pursue further innovation in this area.

While the actions to be taken by the Enterprises are the measure by which the success of the plans will be evaluated, a transparent oversight process will increase the chances of success. MBA believes the Enterprise plans should be comprised of a wide and inclusive set of goals to ensure no key issues are overlooked over the three-year period. While setting a potentially large number of goals impactful enough to move the needle on these important issues may seem ambitious, organizing them into smaller subgoals with specified priority levels and timelines can help ensure the goals remain attainable. While finalizing goals for the plans, the Enterprises also should consider how they interact with other goals or benchmarks in similar programs (e.g., the Duty to Serve program or the Enterprise housing goals). By ensuring that the goals established through different programs complement – rather than interfere with – each other, the Enterprises will be better positioned to achieve these related but differing objectives.

FHFA's evaluation process should be disclosed annually to provide an accurate picture of the Enterprises' progress on the plans for all involved stakeholders. FHFA's oversight also should include a process for re-evaluating goals each year to ensure they continue to be relevant, as well as a process for addressing targets that are missed. Any remedies for missed targets should be proportional to their impact, as the Enterprises should be encouraged to set ambitious targets without fear of excessive penalties for missing certain "stretch" targets. Proper oversight and disclosure will ensure that the plans are as effective as possible and remain a priority for the Enterprises.

We recognize that FHFA is using its conservatorship authorities to establish the requirement for these plans, but it is important that FHFA begin considering how it can ensure the Enterprises continue this work post-conservatorship. We do not want the eventual conclusion of the conservatorships to mean the end of formalized efforts by the Enterprises to advance equity in housing finance. Similarly, we do not want this ongoing work to serve as a reason to keep the Enterprises in conservatorship longer than is necessary. In the near term, FHFA therefore should explore rulemaking or other options to make these efforts more durable, independent of how long the Enterprises remain in conservatorship.

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MBA fully supports the development of the Enterprise Equitable Housing Finance Plans. They are an important and historic step to move the needle on the large and persistent racial homeownership gap, as well as to make decent, affordable rental housing available on a more equitable basis. We thank FHFA for the opportunity to comment and look forward to our continued partnership on this critically important issue.

Should you have questions or wish to discuss these comments, please contact Sasha Hewlett, Director of Secondary and Capital Markets, at (202) 557-2805 and shewlett@mba.org or Bruce Oliver, Vice President of Commercial/Multifamily Policy, at (202) 557-2840 and boliver@mba.org.

Sincerely,

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