PennyMac®

**Via Electronic Submission**

October 25, 2021

Sandra L. Thompson
Acting Director
Federal Housing Finance Agency
Office of the Director, 400 7th Street SW, 10th Floor
Washington, D.C. 20219

**Re: Request for Input on Enterprise Equitable Housing Finance Plans**

Dear Acting Director Thompson:

PennyMac[1] appreciates the opportunity to provide feedback on the Federal Housing Finance Agency's ("FHFA") request for input ("RFI") on the new requirement for Fannie Mae and Freddie Mac (collectively, "the Enterprises") to create and maintain Equitable Housing Finance Plans ("the Plans"). While the Enterprises have a number of statutory and regulatory obligations to advance equity in all housing markets and continue to show progress toward meeting those obligations, there is still much work left to be done to close the racial homeownership gap. As such, we agree that it is prudent for the Enterprises to establish and maintain transparent roadmaps to guide the endeavor. We are encouraged that the FHFA is seeking public comments via this RFI and the listening session in September as we believe collaboration with the affected communities and industry participants is critical to the success of the Plans. To that end, we offer some of our observations and recommendations for each component of the Enterprises' plans below.

Many think tanks, consumer advocacy groups, community development groups and others have increased their focus on identifying and bringing awareness to the underlying issues that contribute to the racial homeownership gap. As such, there exists more published data, analyses and community-level observations than ever. Indeed, many of the barriers in this area have become ubiquitous, such as bias in property valuation, consideration for underbanked communities and lasting impacts of historical redlining practices, among others. While this is an

---

[1] "PennyMac" refers to PennyMac Financial Services, Inc. (NYSE: PFSI) and PennyMac Mortgage Investment Trust (NYSE: PMT). PFSI is a publicly-listed specialty financial services firm with a comprehensive mortgage platform that is primarily focused on the production and servicing of U.S. residential mortgage loans and the management of investments related to the U.S. mortgage market. As of June 30, 2021, PFSI was the second largest producer and the sixth largest servicer in the U.S. according to Inside Mortgage Finance. PFSI also has $2.3 billion in assets under management. PMT is a publicly-listed mortgage REIT that specializes in residential mortgage strategies enabled by the operational and investment management capabilities of its manager and service provider, PFSI. PMT's investments focus on mortgage-related assets that are generated through its leading correspondent production business.

excellent starting point for identifying the barriers that exist, we caution against relying on these resources exclusively. Given the nature of the Enterprises' role in the housing finance system, they have acquired a substantial number of loans over the course of decades, and therefore have amassed a wealth of historical loan data, much of which is not available for public analysis. The Enterprises should use this data to supplement existing research as well as conduct their own, which may reveal additional gaps, trends and barriers that are undetectable in the public datasets. Ultimately, the Enterprises should democratize as much data and business analytics as possible to lend transparency to their analyses and encourage additional research among a broader base of researchers and advocates who may offer unique perspectives or innovative solutions based on the introduction of additional information.

We have had the pleasure of meeting with both Fannie Mae and Freddie Mac to learn about their current initiatives to advance equity and affordability in housing and are impressed with the progress made so far. It is clear through these conversations that many of the activities required by the Plans are already underway, which is encouraging. However, it is important that the directive to create the Plans is not undertaken as an administrative exercise to formalize the Enterprises' existing observations, goals and efforts. Rather, the Plans should challenge the Enterprises to contemplate additional innovations that lend incremental support to the objectives of the Plans.

When determining the appropriate long-term goals of the Plans, the Enterprises should likewise define interim goals to ensure persistent progress toward the overall objectives. In addition, the Enterprises should implement or modify goals related to processes that facilitate actions defined in the Plan. For example, the Enterprises may find benefit to setting more aggressive efficiency goals for technology implementations that directly support the Plans. Additionally, the FHFA can facilitate the prioritization of new products that support the Plans by streamlining the reviews and approvals which they are required by statute to conduct.[2]

The Enterprises and the FHFA have a number of tools at their disposal which can be leveraged to foster public policies and practices that influence widespread change throughout the industry and promote equitable housing finance. These include the ability to update policies, modify pricing, introduce new products and increase borrower financial literacy, to name a few. While the direct impact of most of these tools is limited to loans intended to be originated as agency eligible,[3] the Enterprises' scale and prominence allow them to exert influence over the housing finance market at large and oblige them to utilize their resources to lead the way in matters of significant import such as those to be contemplated in the Plans.

Lastly, given the gravity and complexity of the undertaking, the Enterprises should be afforded additional time to create the initial plans. The current deadline for submission of the Plans incents the aforementioned treatment of the Plans as an administrative task. The FHFA should

[2] 12 U.S.C. § 4541
[3] "Agency eligible" refers to loans originated in accordance with an Enterprise's eligibility standards for loan delivery.

acknowledge the importance of completing a thoughtful and thorough analysis, as well as conducting quality consultations with outside parties by extending the deadline to allow for more substantive work in each area.

Thank you for your consideration of these recommendations. We look forward to reviewing the Plans once published and welcome additional opportunities to work with the FHFA and the Enterprises on this very important issue. Should you have any questions or wish to discuss further, please reach out to Jason Piatt, VP, Government Affairs & External Relations, at (805) 395-9006 or jason.piatt@pennymac.com.

Sincerely,

Jeffrey P. Grogin
Senior Managing Director, Government Relations
PennyMac