

October 25, 2021

Headquarters:
111 E. Court St.
Suite 2C-1
Flint, MI 48502

TO: Acting Director Sandra L. Thompson
ATTN: Enterprise Equitable Housing Finance Plan

National Office:
1101 14th St. NW
Suite 510
Washington, DC 20005

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

877.542.4842
communityprogress.org

RE: Public Comment in Response to FHFA's Request for Input: Enterprise
Equitable Housing Finance Plans

Dear Director Thompson:

The Center for Community Progress ("Community Progress") appreciates the opportunity to comment in response to the Federal Housing Finance Agency's ("FHFA") Request for Input ("RFI") with respect to the proposed Enterprise Equitable Housing Finance Plans ("EEHFP") published September 2021.

About the Center for Community Progress

Community Progress works to foster strong, equitable communities where vacant, abandoned, and deteriorated properties are transformed into assets for neighbors and neighborhoods. A national leader in land policy and land banking, Community Progress works with communities across the country to assess and reform the policies and practices that govern the use and reuse of land.

Founded in 2010, Community Progress is the leading national, nonprofit resource for urban, suburban, and rural communities seeking to address the full cycle of property revitalization. The organization fulfills its mission by nurturing strong leadership and supporting systemic reforms. Community Progress aims to ensure that all public, private, and community leaders have the knowledge and capacity to create and sustain change. It also works to ensure that all communities have the policies, tools, and resources they need to support the effective, equitable reuse of vacant, abandoned, and deteriorated properties.

Summary

With respect to the questions posed by FHFA, we wish to provide commentary around A) the EEHFP plan framework and B) equity objectives. In addition, we provide direct responses to **Questions 5, 8, 10, 11, and 12.**

A. EEHFP Framework

Community Progress applauds FHFA for this RFI and the Agency’s intention to “ensure a continued focus on housing equity that is aligned with other critical objectives including safety and soundness and other mission activities.”¹ Ensuring housing equity requires a clear and intentional focus on addressing wide racial disparities in homeownership² and intergenerational wealth-building³ while also providing opportunities for first-time homebuyers in an increasingly unreachable marketplace.⁴ The EEHFP reflects a strong commitment by FHFA to further the Enterprise’s individual and collective ability to advance equity in the housing markets while ensuring safety and soundness.

B. Opportunities for the Enterprises to meet EEHFP Equity Objectives

Community Progress is encouraged by FHFA’s planned requirements around 1) reducing the racial or ethnic homeownership gap, and 2) reducing underinvestment or undervaluation in formerly redlined areas that remain racially or ethnically concentrated areas of poverty or otherwise underserved or undervalued. We contend that the following six (6) “Optional Objectives” should be elevated to “Required”:

- 1) Increasing the quality of the supply of affordable housing available in racially or ethnically concentrated areas of poverty;
- 2) Increasing the supply of affordable housing available in areas with access to educational, transportation, economic, and other important opportunities;
- 3) Reducing underinvestment or undervaluation in other (non-redlined) areas that remain underserved or undervalued;
- 4) Increasing the supply of affordable housing that is accessible for persons with disabilities and available in the most integrated setting appropriate to the needs of an individual with a disability;

¹ FHFA, *Enterprise Equitable Housing Finance Plans* (September 2021), p. 3-4. Available at

<https://www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/Equitable-Housing-Finance-Plans-RFI.pdf>

² As of July 2021, the national homeownership rate was 64.5%. The White homeownership rate was 74.2%, the Black homeownership rate was 44.6%, the Asian, Native, Hawaiian and Pacific Islander homeownership rate was 58.7%, and the Hispanic homeownership rate was 47.5%. See US Census Bureau, *Quarterly Residential Vacancies and Homeownership*, Release CB21-108 (July 27, 2021). <https://www.census.gov/housing/hvs/index.html>

³ Recent research from Freddie Mac demonstrates that “Black and Latino applicants receive lower appraisal values than the contract price more often than White applicants.” See Freddie Mac, *Racial and Ethnic Valuation Gaps in Home Purchase Appraisals* (September 2021).

http://www.freddie.com/research/insight/20210920_home_appraisals.page

⁴ Median home prices have increased at four times the rate of household incomes since 1960, leading to imbalanced price-to-income ratios in most major metropolitan areas. Additionally, the price-to-income ratio often-used in assessing prospective buyers has ballooned from 2.1 in 1960 to 3.6 in 2017. See Tekin, Eylul. *A Timeline of Affordability: How Have Homes Prices and Household Incomes Changed Since 1960?* (August 3, 2021).

<https://listwithclever.com/research/home-price-v-income-historical-study/>

- 5) Increasing the supply of affordable housing available to families with children in areas with access to educational, transportation, economic, and other important opportunities; and
- 6) Increasing sustainable housing opportunities for individuals in the mortgage market, such as by expanding the number of qualified borrowers of a particular racial or ethnic group, or making policy changes to promote fair lending.

Broadly speaking, objectives which increase the supply of affordable housing, with special attention to the rehabilitation of vacant, abandoned, and deteriorated properties, and race-conscious opportunities for low-income and/or first-time homebuyers should all be requirements, not merely options.

C. Direct Responses to RFI Questions 5, 8, 10, 11, and 12

Question 5: What other objectives and measurable goals should the Enterprises pursue in their plans?

We strongly believe that the Enterprises should pursue identified objectives and measurable goals related to: 1) the number of and value of small balance loans made to provide liquidity for small dollar mortgages; 2) the involvement and impact on race-conscious first-time homebuyer purchases and successes; and 3) enforcement strategies to mitigate any potential fair lending risk and any potential harm to people and communities of color.

Question 8: How should the plans interact with Duty to Serve, Housing Goals, or other requirements?

As written in the RFI, the EEHFP should “serve as a supplement to existing FHFA and Enterprise requirements, programs, and plans” including Duty to Serve, Housing Goals, or other requirements.⁵ In no way should the EEHFP usurp, replace, or assume all of or any provisions of other mission activities. The EEHFP should serve as a tool for accountability with respect to how the Enterprises perform in service of objectives committed to closing racial disparities.

Question 10: Could special purpose credit programs (as defined in 12 CFR 1002.8) be included in the Enterprises’ plans? How should such programs be structured?

Yes. Special purpose credit programs should be included in the Enterprises’ plans, and should be structured to intentionally target populations historically underserved by the traditional mortgage market.

⁵ FHFA, *supra*, p. 3

Question 11: Are there additional or different required objectives and goals that FHFA should consider for future Enterprise plans?

The Enterprises have a unique opportunity to leverage strategic investments in and partnerships with land banks and land banking institutions across the United States. Land banks are becoming a more widely recognized tool in the community development toolbox for supporting neighborhood goals by helping to unlock zombie properties, rehab and revitalize vacant and abandoned properties and lots, and recoup value for local and county tax rolls. There are now 250+ land banks in 29 states working to advance equitable neighborhood development, strengthen public policy for resilient communities, and demonstrate innovative programs and partnerships.⁶ Land banks are emerging as especially effective for advancing local communities' racial equity goals, which align with the intent of the EEHFP.

For example, the Enterprises should explore ways to incentivize investments in and partnerships with land banks including through loan purchases of mortgages secured by properties returned to productive use by land banks, and entities empowered to acquire and steward structures and land for future equitable development and permanent affordability.

Question 12: What communities and stakeholders should the Enterprises consult with in developing their plans?

The Enterprises should consult with communities and stakeholders of color. Potential communities and stakeholders for FHFA and the Enterprises to potentially engage are noted later in this comment letter. The Enterprises should also consult with land bank leaders, community land trusts, and mission-driven, nonprofit community development and housing organizations serving communities of color, to learn about and discuss unique opportunities to capitalize on the repurposing of problem properties for homeownership opportunities and community benefits.

Analysis

Despite Black homeownership increases in the mid-1900s, a 20% to 30% gap between Black and White homeownership rates has persisted for more than 100 years.⁷ Hispanic homeownership remains below 50% due at least in part to a lack of down payment and inventory for sale, despite considerable gains in Hispanic homeownership since 2015.⁸ These shameful statistics point to systemic issues in the homeownership structure which require bold action to address and rectify. As such, it is encouraging to see FHFA direct the Enterprises to contemplate and act upon “objectives, measurable goals, and planned meaningful actions” to address the racial disparities emphasized.

⁶ See <https://www.communityprogress.net/land-bank-headquarters-pages-446.php>

⁷ Asante-Muhammad, D. et al. *60% Black Homeownership: A Radical Goal for Black Wealth Development* (March 2, 2021). <https://ncrc.org/60-black-homeownership-a-radical-goal-for-black-wealth-development/>

⁸ Kusisto, Laura & Eisen, Ben. *Wave of Hispanic Buyers Shores Up U.S. Housing Market* (July 15, 2019) <https://www.wsj.com/articles/wave-of-hispanic-buyers-boosts-u-s-housing-market-11563183000>

The Enterprises have a unique opportunity to reduce disparities in the homeownership gap and reduce inequitable underinvestment and undervaluation in communities of color – *if* they are directed to advance objectives, measurable goals, and planned activities which are race conscious and intentionally place race at the center of those objectives, goals, and activities.

The Equitable Potential of Addressing Vacant, Abandoned, and Deteriorated Properties

FHFA and the Enterprises should explore strategic partnerships with and investments in land banks and the properties in their inventories. Despite a shortage of affordable housing in many parts of the country, there are more than 6 million vacant, unused housing units.⁹ The irony of a high demand for more affordable housing and a surplus of abandoned and deteriorated properties points to a need for the Enterprises to support revitalization of existing housing stock for new homeownership opportunities.

Land banks can operate as the ideal conduit between problem properties and new homeowners. Land banks are designed to acquire and maintain problem properties and then transfer them back to responsible ownership and productive use in accordance with local land use goals and priorities, creating a more efficient and effective system to eliminate blight. Land banks often have unique statutory powers which may include the ability to acquire property through various mechanisms, including obtaining property at low or no cost through the tax foreclosure process; hold title to property tax exempt and in some cases extinguish back taxes; clear title and in some cases expedite the title clearing process; and streamline disposition and sale of properties to responsible owners or developers.¹⁰ The growing field of more than 250 land banks in operation¹¹ often serve communities of color where a confluence of market forces and discriminatory policies and practices like redlining have led to areas of hypervacancy where greater than 20% of all properties stand unused and often in disrepair.¹²

Land banks currently operate race-conscious homeownership programs which effectively help to reduce racial gaps while supporting equitable redevelopment goals by repairing problem properties. For example, the Albany County Land Bank Corporation's Equitable Homeownership Program is designed to increase homeownership rates in underserved communities that have historically experienced discriminatory, inequitable practices and policies.¹³ The Equitable Homeownership Program has been intentionally structured to identify, finance, and rehabilitate deteriorated properties in historically redlined areas to provide new homeownership opportunities to families often locked out of the traditional mortgage market (typically because of a lack of access to capital for a down payment).¹⁴ Programs like this should be supported by the Enterprises, through both direct investment and through commitments to purchase loans

⁹ Scott, Amy. The vacancy crisis is far from over (November 6, 2019). <https://www.marketplace.org/2019/11/06/the-vacancy-crisis-is-far-from-over/>

¹⁰ Center for Community Progress. *Land Bank FAQ's* (2021). <https://communityprogress.org/resources/land-banks/lb-faq/>

¹¹ Center for Community Progress. *National Land Bank Map* (July 2021). <https://communityprogress.org/resources/land-banks/national-land-bank-map/>

¹² Mallach, Alan. *The Empty House Next Door* (May 2018). <https://www.lincolnst.edu/publications/policy-focus-reports/empty-house-next-door>

¹³ Albany County Land Bank Corporation. *Equitable Homeownership Program* (2021). <https://www.albanycountylandbank.org/eopp>

¹⁴ Altamont Enterprise Regional, *Land bank forms partnership to help deal with racial disparities* (March 23, 2021). <https://altamontenterprise.com/03232021/land-bank-forms-partnership-help-deal-racial-disparities>

secured by homes restored to occupancy by these programs. They can and should also be replicated in other geographies, through pilot and demonstration programs created by the Enterprises in the furtherance of EEHFP goals.

Land banks, as well as other state and local entities working on programs to increase residential economic diversity under Duty to Serve, EEHFP, and other Enterprise requirements, programs and plans, should be seen and engaged by FHFA as critical partners for addressing racial disparities in the mortgage market. The Enterprises should leverage EEHFP to develop robust pilot programs with stakeholders achieving demonstrated results in closing homeownership gaps and disparate underinvestment in communities of color.

Small Balance Loans

As noted in Community Progress' public comment in response to FHFA's Request for Input: Fannie Mae and Freddie Mac Proposed 2022-2024 Duty to Serve Plans,¹⁵ increasing the liquidity of small dollar mortgages could support many first-time homebuyers – especially in communities of color – seeking homes under \$100K in value.¹⁶ Many Black and Brown families – particularly those in low-home-value markets – remain underserved by regional and national banks, and may significantly benefit from targeted small loan demonstrations.¹⁷

On this point, we affirm the feedback provided by the National Fair Housing Alliance (“NFHA”) in their public comment to the EEHFP RFI. NFHA notes that the lack of liquidity for small dollar mortgage loans has a disparate impact on borrowers of color and entire cities and regions across the nation, who are more likely to need and apply for these loans.¹⁸ Moreover, such programs actually support one of the key business justifications of the GSEs, which is to provide liquidity for mortgages for low- and moderate-income families even if the return is less than that earned on other activities. Accordingly, the GSEs should create programs to provide liquidity for small dollar mortgage loan programs.

Race-Conscious Homebuyer Purchases

Disparities by race in homeownership must be countered with race-conscious policy and programming; race neutral approaches to date have failed to close these gaps. An analysis by the NFHA and the Center for Responsible Lending (“CRL”) shows that targeting down payment assistance to first-generation, first-time homebuyers with incomes at or below 120% of the Area Median Income has the potential to increase access to homeownership for 5 million new homebuyers, including 1.7 million Black homeowners and 1.3 million Latino homeowners¹⁹. Additionally, NFHA has made a clear and compelling case for Special Purpose Credit Programs and Enterprise purchases of loans created through these programs, which Community Progress

¹⁵ Finn, Robert, on behalf of the Center for Community Progress. *CCP_DTS_RFI_Response_Final* (July 16, 2021). <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/DTSPlanModificationsRFIListDetail.aspx?CommentID=310>

¹⁶ McCargo, Alanna et al. *Small-Dollar Mortgages for Single-Family Residential Properties* (2018). <https://www.urban.org/research/publication/small-dollar-mortgages-single-family-residential-properties>

¹⁷ McCargo, Alanna et al. *The MicroMortgage Marketplace Demonstration Project* (2020) <https://www.urban.org/research/publication/micromortgage-marketplace-demonstration-project>

¹⁸ Eisen, Ben. *Dearth of Credit Starves Detroit's Housing Market* (Oct. 29, 2020). <https://www.wsi.com/articles/a-broken-mortgage-market-strands-detroits-black-residents-11603984218>

¹⁹ NFHA/CRL, *First Generation: Criteria for a Targeted Down Payment Assistance Program* (May 21, 2021). <https://nationalfairhousing.org/wp-content/uploads/2021/06/crl-nfha-first-generation-jun21.pdf>

also strongly supports. It is encouraging to see Special Purpose Credit Programs explicitly named in the RFI, and we urge FHFA to promote the piloting and implementation of such programs.

Enforcement

Community Progress also strongly supports NFHA's position on the enforcement mechanisms FHFA may use to ensure the Enterprises act in service of fulfilling objectives, goals, and activities which will be determined in the final iteration of EEHFP.

Consulting with Communities and Stakeholders of Color

As FHFA considers its path forward for activating the EEHFP process and overseeing the implementation of the Enterprise's respective plans, it is imperative the FHFA receive direct, candid feedback from the communities and stakeholders EEHFP intends to serve: communities and stakeholders of color.

We urge FHFA to invite in, listen to, and incorporate recommendations from leaders of color from local, state, regional, and national organizations with deep expertise in housing, housing finance, and community development writ large. There are many exceptional leaders of color at the helm of national and regional organizations focused on equitable community development strategies. For example, the CEO Circle of Color includes Black and Hispanic leaders involved in affordable housing, shared equity housing, housing finance, and land use strategies.²⁰ The CEO Circle includes women of color leading national nonprofit organizations including Community Progress, NFHA, NeighborWorks America, Institute for Sustainable Communities, and the Opportunity Finance Network, and men of color leading national nonprofit organizations including the Grounded Solutions Network, Smart Growth America, and Mercy Housing.

This sort of racial inclusivity at the consulting phase should be central to racial equity planning.

With particular attention to land banking strategies, Community Progress serves as the home of the National Land Bank Network.²¹ Our experience as a subject matter expert and technical assistance provider to land banks across the country positions us well to speak to potential programs and partnerships between the Enterprises and land banks in service of equitable housing finance goals. Our next national conference, Reclaiming Vacant Properties, will take place in Chicago in September 2022.²² In addition to the National Land Bank Network's expertise and resources, statewide land bank associations in Michigan, Ohio, New York, Georgia, and Pennsylvania could be helpful resources for the Enterprises' learning from and engaging with land banks.²³

²⁰ Grounded Solutions Network, *Bold Leadership for Racial Justice: A National CEO of Color Forum* (February 25, 2021). <https://groundedsolutions.org/events/free-webinar-bold-leadership-racial-justice-national-ceo-color-forum>

²¹ See <https://communityprogress.org/nlbn/>.

²² See <https://reclaimingvacantproperties.org/>.

²³ State land bank associations include Michigan (<https://milandbank.org/>), Ohio (<http://ohiolandbanks.org/>), and (New York (<http://nylandbanks.org/>)). Georgia and Pennsylvania also have state associations with dozens of member land banks, respectively.

We also recommend that FHFA staff partake in a series of thoughtfully promoted and strategically advertised community engagement sessions across the country. Given the tenuous relationship between communities of color and the American housing system, an initiative such as the EEHFP, which is intended to heal past injustices, should be communicated with openness and directly engage residents that may be most impacted to share their experiences.

Conclusion

Community Progress appreciates the opportunity to share our expertise with FHFA, and the Agency's consideration of the above feedback. In addition to our comments provided here, we wish to express our support of the public comment letters submitted to FHFA in response to the EEHFP from NFHA and the National Housing Conference.

We are happy to provide any additional input FHFA may request, and look forward to learning and responding to next steps in the EEHFP process.

Sincerely,

A handwritten signature in cursive script that reads "Akilah Watkins".

Dr. Akilah Watkins
President and CEO
Center for Community Progress