

1050 Woodward Ave.
Detroit, MI 48226

October 25, 2021

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

RE: Enterprise Equitable Housing Finance Plans RFI

Dear Acting Director Thompson:

Rocket Mortgage, LLC (“Rocket Mortgage”) writes to provide comments to Federal Housing Finance Agency’s (FHFA) *Enterprise Equitable Housing Finance Plans Request for Input (RFI)*. Rocket Mortgage supports the *Fair Housing Act* and the *Equal Credit Opportunity Act*, but it is clear more work must be done to create a more equitable housing finance system in the United States. As such, we commend FHFA for acting and directing the Enterprises (GSEs) to prepare and implement three-year Equitable Housing Finance Plans and are eager to work with FHFA and the GSEs on informing and executing said Plans in the coming years.

Detroit-based Rocket Mortgage, LLC (“Rocket Mortgage”, formerly “Quicken Loans, LLC”), the nation’s largest home mortgage lender, enables the American Dream of homeownership through its industry-leading, digital-driven client experience in closing mortgages across all 50 states. In late 2015, Quicken Loans introduced *Rocket Mortgage*, the first fully digital mortgage experience. Currently, 98% of all home loans originated by Rocket Mortgage use Rocket Mortgage Technology. Today, Rocket Mortgage and members of Rocket Companies employ more than 18,000 full-time team members in Detroit’s urban core. The company generates loan production from web centers located in Detroit, Cleveland and Phoenix and operates a centralized loan processing facility in Detroit. Rocket Mortgage is also ranked highest in the country for customer satisfaction for primary mortgage origination by J.D. Power for eleven (11) consecutive years (2010-2020) and ranked highest in the country for customer satisfaction among all mortgage servicers for the past eight (8) consecutive years (2014-2021).

Rocket Mortgage believes adoption of the following recommendations would make the Enterprise Equitable Housing Finance Plans effective roadmaps for the GSEs to materially address and positively impact the racial homeownership gap:

- 1) Modernize and standardize the appraisal process to address the appraiser shortage, rising appraisal fees, data collection standards, and bias in valuation
- 2) Embrace data-transparency by sharing the Uniform Appraisal Dataset (UAD) and National Mortgage Database (NMDB) data with cross-market stakeholders and researchers;

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- 3) Conduct a robust and data-driven annual review of loan pricing to ensure loan level price adjustments (LLPAs) and upfront fees are aligned with expected GSE credit losses;
- 4) Modernize GSE Automated Underwriting Systems (AUS) through pilot programs and alternative data to ensure credit-worthy consumers can obtain GSE loans.
- 5) Expand the range of eligible minority borrowers for Enterprise-backed financing by addressing income thresholds for affordable products, particularly in high-cost areas, as well as consider refinance opportunities for low-income borrowers; and
- 6) Address down payment assistance barriers and increase borrower educational resources through partnerships

Rocket Mortgage's Specific Recommendations

Modernize and Standardize the Appraisal Process

The appraisal process must be modernized and standardized to function in today's housing market and the GSEs should include tangible steps in their Equitable Housing Finance Plans to pursue reforms. Some progress is being made. For instance, Rocket Mortgage appreciates FHFA's recent announcement around the reinstatement of Desktop Appraisals in 2022 and looks forward to the Property Appraisal Valuation Equity (PAVE) Task Force report looking at the causes, consequences, and solutions to misvaluation and undervaluation of properties.

However, more work needs to be done. The current appraiser shortage is causing unprecedented delays and costs to consumers while creating disparate impact on communities of color (e.g., lower valuations). To that end, Rocket Mortgage supports efforts by the GSEs to increase appraisal waivers by allowing for flexibility in the valuation process and further eliminating subjective bias. Further, the lack of standardization and quality controls allows for potential bias, whether implicit or explicit, to creep into the valuation process. We encourage the GSEs to adopt data collection technology to standardize the data points required to complete a valuation between investors. This will also allow for a data collection to be paired with a valuation waiver and help bring the enhancement to communities of color, who have disproportionate access to the waivers given the waiver requirements today. Along with standardizing data points, it is essential to remove the subjectivity from the valuation process by using a bi-furcated process to keep the appraiser from interaction with consumers.

Making progress on appraisal modernization and standardization will take time, but the success of these reforms depends on the GSEs' ability to view these policies through lenses of market efficiency, risk mitigation, consumer protection, and equitable housing. We would also appreciate the ability to consult on these recommendations to offer insight on the desired outcomes.

Enhance GSE Data Sharing

The GSEs have long benefitted from ongoing taxpayer support, while amassing an unprecedented trove of valuable mortgage and property data on those very taxpayers. That data, and the story of it tells, are essential to fully understanding how best to advance and execute equitable housing plans in the United States. Two sources of such data include the Uniform Appraisal Dataset and the National Mortgage Database.

Rocket Mortgage strongly believes the GSEs should incorporate tangible steps into their Equitable Housing Finance Plans to regularly share these data with industry stakeholders and researchers. Doing so would greatly increase the type and scope of robust research and analysis needed to better understand and ultimately innovate to address possible discrimination and bias in the appraisal, credit underwriting, and homebuying process. It is equally important for housing regulators to have a uniform understanding of data points held in the single-family data warehouse. This type of data-sharing among regulators can help ensure a reasonable and targeted approach is taken to root out discrimination and bias wherever it may exist.

Holistically Review Loan Pricing

The GSEs each have significant control over the price of mortgage credit. It is essential for the GSEs to take a data-driven approach to holistically review any additional fees they impose on conventional mortgages based on certain borrower and loan risk characteristics. Doing so would ensure the GSEs are properly compensated for their expected credit losses, as well as prevent credit-worthy consumers from unnecessarily facing higher mortgage costs –especially as the nation continues to deal with the ripple effects of the COVID-19 pandemic.

Rocket Mortgage recommends the GSEs incorporate an annual review of upfront fees and LLPAs into their Equitable Housing Finance Plans much like conventional loan limits are reassessed each year. Additionally, Rocket Mortgage encourages FHFA to collaborate with the Federal Housing Administration (FHA) after the 2021 Actuarial Review of the Mutual Mortgage Insurance Fund is released to ensure alignment around data-points and factors that may influence how LLPAs and the mortgage insurance premium (MIP), respectively, are potentially reassessed.

Modernize GSE Automated Underwriting Systems with Alternative Data

The GSE AUSs play a fundamental role in mortgage underwriting and are thus essential front-line tools in helping advance equitable housing initiatives. Rocket Mortgage supports the Enterprise Housing Finance Plans, including specific steps and initiatives such as pilot programs, to regularly assess the merits of incorporating alternative data sets to the GSEs' AUS. We believe this is essential for fostering responsible innovation in mortgage underwriting which can help more credit-worthy families build multigeneration wealth through homeownership.

Rocket Mortgage strongly supports FHFA's recent announcement of the inclusion of rental payment history in Fannie Mae's underwriting process. We believe the move is a positive step in the right direction to expanding access to affordable mortgage credit in a safe and sound manner.

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In addition to considering rental payment history, it is important to assess the viability of other data sets such as car payments, utility bills, and cash flow data from consumers' bank account records. The use of alternative data in a manner consistent with consumer protection laws may help lenders assess creditworthiness in new ways while improving the accuracy of credit decisions. Consumers may also benefit from the consideration of alternative data by obtaining additional mortgage products and more favorable pricing and terms.

Expand the Range of Minority Borrowers Eligible for Enterprise-backed Financing

We encourage FHFA to consider steps toward expanding the scope of minority borrowers eligible for Enterprise-backed financing by addressing income thresholds on affordable housing products, especially in high-cost locales. Additionally, the Agency should consider refinance opportunities for low-income borrowers, such as removing unnecessary pricing adjustments on rate and term refinances (*i.e.*, with no cash out) that lower monthly payments for consumers, and reversing credit score-related pricing adjustments on low down payment products in specific metropolitan areas.

Addressing Down Payment Assistance Barriers and Increasing Borrower Educational Resources

The Enterprises should engage with the industry in considering ways to lower or eliminate impediments for minority borrowers to obtain down payment assistance through a variety of funding sources, such as grants and savings incentive programs. We believe the Enterprises are well positioned to assist the industry in supporting the use of down payment assistance programs so long as they are both accessible to borrowers and easily operationalized by lenders. Further, we encourage the Enterprises to partner with organizations specifically dedicated to increasing borrower awareness on the available resources to improve affordability and maintain sustainable homeownership. This includes establishing partnerships with agencies and non-profits which offer pre and post-closing education for minority borrowers.

We appreciate FHFA's consideration of our recommendations on the Enterprise Equitable Housing Finance Plans, as they are critical to advancing equity and bridging the racial homeownership gap. We look forward to a continued partnership with FHFA and remain committed to lending our industry knowledge and resources to furthering its stated goals in this regard. Should you have any questions, please feel free to reach out to Chrissi Johnson at (313) 373-0036 or by email at chrissijohnson@rockcentraldetroit.com.

Sincerely,



Bill Banfield
Chief Risk Officer
Rocket Mortgage, LLC