

October 15, 2022

Submitted Electronically to: www.fhfa.gov

Federal Housing Finance Agency
Office of the Director
400 7th Street, S.W., 10th floor
Washington, D.C., 20219

Re: Request for Information - Fintech in Housing Finance

The undersigned represents the six Federal Home Loan Banks¹ (the FHLBanks) who actively purchase residential mortgage loans from their members through one of the Acquired Member Asset (AMA) programs, the Mortgage Partnership Finance (MPF) Program. The MPF Program has active relationships with over 1693 depository institutions approved as MPF sellers and/or servicers, and manages a portfolio of nearly \$66 billion in outstanding unpaid principal balance.² The substantial majority of participating members are community lenders primarily serving their local communities, smaller in size and in origination volume, and often rely on the MPF Program as the sole source of secondary market liquidity, which allows the members to remain active in providing residential mortgage credit to their local communities.³

The MPF Program appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA) Request for Information regarding Fintech in Housing Finance that was issued on July 18, 2022 (RFI). The RFI solicits public input on the role of technology in housing finance, broadly seeking to understand the current landscape of potential innovations throughout the mortgage lifecycle and related processes, risks, and opportunities.

We thank the FHFA for its leadership and vision in establishing the Office of Financial Technology (Office) to further the FHFA's ability to understand technology-driven developments and the concomitant risks and to facilitate responsible innovation in housing finance. As secondary market participants, the FHLBanks believe more direct market participants such as loan originators and technology organizations that develop tools in support of loan origination are better positioned to provide the level of detail sought by the FHFA. Therefore, instead of providing responses to specific questions, the FHLBanks wish to provide a more global response to the RFI by suggesting that as part of the Office's role in facilitating responsible innovation and fintech, the FHFA consider establishing a set of operating principles it will follow to guide the development regulation and guidance for entities it regulates. As a starting point, we respectfully offer the following for consideration:

¹ FHLBank Chicago, FHLBank Boston, FHLBank Dallas, FHLBank Des Moines, FHLBank Pittsburgh, and FHLBank Topeka.

² These figures relate to the mortgage program administered by the FHLBank of Chicago for nine FHLBanks (MPF Program), which include the six FHLBanks currently purchasing MPF program loans and three FHLBanks who no longer purchase loans through the MPF Program, but who still have legacy MPF Program portfolios: FHLBank Atlanta, FHLBank New York, and FHLBank San Francisco. The comments in this letter are submitted on behalf of the MPF Program, and relate solely to the operation of the MPF Program.

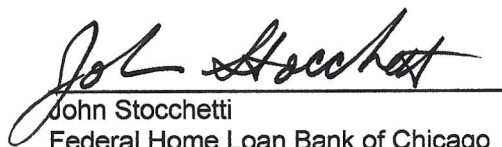
³ The FHLBanks membership also includes mid-sized and large financial institutions, which account for a significant percentage of total volume of MPF Program portfolio deliveries.

1. The actions of the Office, and ultimately the FHFA's, should encourage mortgage market investment, housing equity, innovation and competition, without benefiting any one type of participant, or forcing "one size fits all" solutions or mandates. For example, many smaller loan originators do not produce sufficient loan origination volume to warrant significant investments in technology.
2. Create and support initiatives that lower the cost and complexity of home mortgage originations and offer "plug and play" solutions that enable multiple smaller entities to leverage more affordable or cost-effective technology platforms and tools.
3. Encourage new entrants into mortgage servicing and moderate the negative trend of concentrating servicing into fewer and fewer providers.
4. Support actions that preserve the effectiveness of home purchase and refinance first lien mortgage loans in housing finance while enabling standardization nationally where feasible and reasonable. Notable examples include the FHFA's continued opposition to PACE and other credit products or governmental initiatives that subordinate first mortgages, and by providing public support for the Uniform Law Commission's Uniform Commercial Code Article 12 eNotes 50 state legislative initiative or a national remote online notarization law or standards such as the SECURE Notarization Act of 2022.
5. If within FHFA's statutory mandate, promulgate effective and cost-efficient fintech housing finance regulation after considering public comment and risk. The Office, with appropriate FHFA Director oversight, should be authorized by the Director to issue public policy position statements on Federal, state, and local issues that impact housing finance.
6. Work closely with the FHLBanks, their stakeholders, and the other federal regulators to keep the nation's housing finance system the most effective and efficient in the world.
7. Recognize that loan originator market participants are in a better position to develop and apply innovations that would simplify or improve overall compliance and efficiencies that would benefit consumers.
8. Develop initiatives that support community lending institutions' continued ability to originate and service mortgage loans and provide liquidity to the communities they serve, including those in rural and vulnerable communities.

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We appreciate your consideration of these comments.

Sincerely,



John Stocchetti
Federal Home Loan Bank of Chicago
Executive Vice President,
MPF Program Executive