



October 19, 2022

Federal Housing Finance Agency  
Office of Financial Technology  
Constitution Center  
400 7<sup>th</sup> Street, SW  
Washington, DC 20219

**Regarding: Technology in Housing Finance Request for Information**

Submitted electronically:

<https://www.fhfa.gov/AboutUs/Contact/Pages/Request-for-Information-Form.aspx>

Dear Deputy Director/Chief Fintech Officer Cave,

Thank you for the opportunity to respond to the *Fintech in Housing Finance Request for Information* ('RFI' or 'Fintech RFI') published on July 18, 2022. We applaud the creation of the Office of Financial Technology and the initial approach to seek information from interested fintech/proptech solutions like us at Ribbon.

As background, we created Ribbon to facilitate a new home buying and selling process, one that is more transparent, streamlined and fair. We exist to empower all types of buyers and sellers, by giving their agents and lenders access to best-in-class tools and technology.

We see a future where our solutions level the playing field so that everyday families and individuals are able to get the home they love, and hard-working real estate agents and loan officers see more career success, local small businesses are supported, and our nation's communities become stronger.

**"Open Ecosystem"**: Among the fintech/proptech companies like us - Power Buyers - we are the only solution that believes in an "open ecosystem" for housing finance, where agents and loan officers can achieve more control and a better experience for their client. We believe in empowerment of this small business community - not disruption. That is achieved through working with these existing players, who advocate for their clients - while we create processes and technology that are inviting and exciting, not filled with roadblocks and mountains of paperwork in a process that is already stressful for everyday people.

**Given our roots and mission to advance equitable housing opportunities, we read with great interest the FHFA Fintech RFI as it is an important development to our firm.** In particular, we were pleased that Director Thompson established the Office of Financial Technology with these guiding objectives:

- Support FHFA in developing strategies for the agency's regulated entities to advance housing finance fintech and innovation in a safe and sound, responsible, and equitable manner;

- Engage with market participants, industry, nonprofits, consumer groups, and academia to facilitate the sharing of best practices of housing finance fintech and innovation;
- Establish ongoing outreach through the regulated entities, promoting awareness and understanding of housing finance fintech and innovation;
- Facilitate interagency collaboration with other regulators to enable information sharing and partnership opportunities; and
- Serve as an Agency resource for innovations, general trends, and emerging risks in housing finance fintech.

These are critically important objectives to the industry and our firm. We support Director Thompson's approach to piloting and testing solutions so that best-in-class fintech advances can proliferate and benefit the housing finance system and especially the equitable treatment of all borrowers.

Accordingly, we stand ready to support the newly established Office of Financial Technology in the same manner and with the same care in which we support the housing ecosystem today through tools, our existing products, such as RibbonCash offers, as well as those to come to address affordability and certainty for buyers, sellers, and their representation alike.

With respect to the RFI, we were pleased to note in your appearance at #HousingDC22 that respondents may address particular portions of the RFI where they have the greatest intellectual capacity. Therefore, our letter focuses primarily on the following three questions.

#### Question A.3

*What factors currently inhibit the adoption of fintech and innovation in the primary and secondary housing finance sector? Are there specific challenges related to privacy laws, industry standards, or current practices?*

The Biden Administration has successfully initiated a review of current industry practice across all sides of the mortgage process. Whether it is through the Property Appraisal Valuation Equity ('PAVE') taskforce that seeks to eradicate bias from the appraisal process or Director Thompson's Equitable Housing Plans for Fannie Mae and Freddie Mac, these efforts are illustrative of the type of positive steps forward that can unleash greater opportunities to achieve homeownership.

The very formation of the Ribbon company has its roots in government lending standards that prohibited my parents' mortgage qualification when they sought to purchase their first home as immigrants to the United States from India who arrived in 1967 with exactly \$24.

My parents spent 10 grueling years acclimating to a new life. Through a persistent undertone of race inequality and treatment, my parents endured some of their most challenging decisions: How much can we tolerate in the service of providing a better life for our children? The inequalities challenged their ability to find a job, secure an education for their children and purchase their own home.

Our family's life changed in 1977 after my parents were confronted by the Federal Housing Administration's policy of not insuring a mortgage to a minority family. We were fortunate to overcome this adversity through the support and generosity of our local community: which pooled together \$30,000 to buy my parents their first and only home.

That is the story of how my family became homeowners. But what homeownership meant spiritually and economically for our family was life-changing. We secured access to better schools, my parents accessed new employment opportunities and we had the comfort of better healthcare options. We went from a low socioeconomic family to a middle-class family. Ultimately, my siblings and I were able to get college degrees and access to privileges that my parents were never afforded in their developing years.

That humbling start to our lives in America propelled my vision for Ribbon and the success we have had in creating cash offers for credit-worthy home buyers.

Yet even today, the adoption of our innovation is held back by government lending standards, such as the United States Department of Housing and Urban Development's Federal Housing Administration Handbook 4000.1 where portions of the Ribbon suite of programs, including our Appraisal Protection program, is stifled by a lack of understanding.

While we realize FHFA does not have purview over the FHA, we nonetheless offer our support to advocate for government lending standards to catch up with responsible lending of fintechs. In addition, we will make our team and staff available to participate in any 'fintech sprints' related to government housing policy and responsible lending.

#### Question B.5

*What are the existing regulatory and policy barriers to adopting and implementing fintech within the mortgage lifecycle?*

In furtherance of our answer to Question A.3, we appreciate the opportunity to share further how responsible lending would benefit from additional review of policy barriers.

Even as the mortgage market tightens, cash offers remain 4x more likely to be accepted and so the buyers in the market that are going to win are the buyers who get savvy on financing in addition to traditional methods.

Ribbon makes homeownership more achievable by up-leveling mortgage-eligible consumers into an all-cash offer with a guaranteed close.

The Ribbon model can also encourage more housing inventory to be available and through the certainty of our offers, our homebuyers can secure their homes with a 2–5%+ cash discount, making it more affordable. We simply upgrade a mortgage pre-approval — it makes their mortgage a cash offer for the seller. In markets where conventional offers, and certainly FHA or VA offers, are pushed to the bottom, it can be a game-changer for everyday folks.

Ribbon's core product is called RibbonCash. It enables families — especially first-time homebuyers who can't afford a substantial down payment — to compete on a level playing field against those high-net-worth individuals and investors purchasing homes. When a family decides to make an offer on a home, they're falling in love. Kids have chosen their rooms, and the parents are already thinking about how to renovate the bathroom.

We believe in the power of achievable homeownership, and we see our tools as an essential pathway toward it.

Institutional behavior in single-family housing, we believe, has contributed to the difficulty of the everyday homeowner to find the new home that fits their family, and for the first time homebuyer to grow from being a renter (where there are all-time high rents) to a homeowner and the equity and intergenerational wealth that this brings.

We strongly believe agents and lenders in the ecosystem are essential advocates for everyday consumers. They know their communities best and put access to homeownership first; Unlike institutional or iBuyers who prioritize the bottom line. That's why we work with, not against, the real estate ecosystem to give everyday people an upper hand against Wall Street and iBuyers. We believe that Wall Street capital should be wielded to provide liquidity to the everyday buyer - which we aim to do - and not against their interests. The consumer, not an iBuyer or institution, should have the right to first refusal. Our competitive cash product is built to ensure just that.

The implications of Ribbon's platform to the real estate industry and agents/homebuyers are monumental. Homeownership is a critical ladder for growing personal wealth, a child's educational success, and physical and mental health.

The policy barrier we call to your attention in this response is the United States Department of Veterans Affairs Home Loan Guaranty program, otherwise known as the VA loan.

In the VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee, the Ribbon fee is considered an unallowable fee. When a veteran is unable to compete against a Wall Street cash offer, the veteran loses, the neighborhood loses and our national goal to increase homeownership loses. We believe in responsible lending programs that afford veterans an equal opportunity of homeownership. As noted above, we appreciate that FHFA does not oversee the VA, but we call on the Biden Administration to uncover all barriers to homeownership that fintech innovation, such as that of Ribbon, bring to market.

#### Question C.1

*What new fintech tools and techniques are emerging that could further equitable access to mortgage credit and sustainable homeownership? Which offer the most promise? What risks do the new technologies present?*

Ribbon's suite of tools address the inequities of today's home purchase market by making homeownership more achievable through up-leveling mortgage-eligible consumers into an all-cash offer with a guaranteed close.

My personal story represents so many of the same issues impacting aspiring borrowers of color, and first generation folks, today. And my commitment to address the challenge is worthy of policymaker consideration as federal agencies seek to keep up with market innovation that to-date has left out a wide swath of FTHB candidates.

For Ribbon and like-minded innovators in this space, the government can modernize its policies to the home purchase process by giving FTHBs, without access to savings or family wealth to offer a cash purchase, an ability to compete and win. By supporting entry-level buyers and placing them in a position to successfully compete, the government can ensure the next generation of FTHB or FGHB candidates is not lost to fewer choices and a greater reliance on rentals purchased out from under them by institutional investors. Furthermore, it cannot be understated the economic and strategic importance of ensuring America's largest generation -

millennials, long shut out from homeownership - are set up to succeed. And that this is done with equity at its heart.

In this regard, the Ribbon model fits neatly into the FHFA mission to advance equitable housing choices through responsible lending and sustainable homeownership.

As you note in the RFI, fintechs have been most active in the loan origination and underwriting space, as indicated by the number of fintech entrants. Lenders are increasingly partnering with fintechs to attract borrowers who prefer a transparent, fast, and simple mortgage experience, which is offered through online, point of sale software.

Lenders are also adding online financial planning tools to their websites to engage borrowers as early as the budget planning stage.

And we support fintechs who have enabled direct collection of underwriting data through POS software, the use of data validation services and enhanced data analytics, and early assessment by lenders of the eligibility of a loan for sale to Fannie or Freddie. Ribbon stands ready and willing to help provide near-eligible, aspiring homebuyers the opportunity to do so.

In addition to potential efficiency gains, the application of fintech to mortgage underwriting may improve access to credit for underserved markets or populations through, for example, incorporation of cash flow insights and rental payment data to better predict an applicant's credit behavior. In addition, new techniques can be applied to fair lending testing to identify less discriminatory alternatives and ensure that proxies for protected class status are not included within a model.

We support these advances and can do so because we are not here to dismantle an industry. Rather, we provide certainty to the existing process and leverage an open architecture that likewise supports the existing mortgage ecosystem.

### Conclusion and Next Steps

On behalf of our team at Ribbon and the industry, we thank FHFA for creating the Office of Financial Technology. We stand ready to support the Office and believe opportunities exist with innovative homeownership solutions that are open source and fit in within the existing mortgage finance ecosystem of our firm respectively, but fintechs broadly.

We would welcome the opportunity to discuss how we could continue our dialogue and assist the Office of Financial Technology in 'tech sprints' and other areas where the domain knowledge and expertise of Ribbon may be applied.

Sincerely,

Shaival Shah  
Co-Founder & CEO  
Ribbon