



October 31, 2022

Federal Housing Finance Agency  
Office of Financial Technology  
400 7th Street, SW, 5th floor  
Washington, DC, 20219

Re: 2022 Fintech in Housing Finance Request for Information (RFI)

Dear Deputy Director Cave, Associate Director Phippen, and Senior Financial Analyst Jensen:

We appreciate the opportunity to provide feedback on the agency's request for information about financial technology in housing finance. The American Fintech Council's (AFC) mission is to promote an innovative, transparent, inclusive, and customer-centric financial system by supporting the responsible growth of lending, fostering innovation in financial technology (fintech), and encouraging sound public policy. Our members provide a range of fintech products and services across the primary mortgage market ecosystem, directly and in third-party relationships with the nation's financial institutions.

At the outset, we want to applaud recent moves by the agency – establishing an Office of Financial Technology, testing and piloting technological innovations (e.g., rent reporting), validating and approving new credit score models for the Enterprises, among other steps. We look forward to working with the agency as you move ahead and want to offer the following high-level feedback on the agency's general questions on fintech and innovation.

- *Ensure Availability, Accessibility and Affordability:* Among the consideration of what defines fintech in housing finance, we would like to support the agency's focus on those technologies that expands the *availability* of options to homebuyers, homeowners, and renters; that broaden *accessibility* for underserved people and places and across borrower risk profiles and the credit score spectrum; and that facilitate *affordability* of credit and financial services.
- *Encourage Responsible Innovation and Consumer Protection:* We support the agency's focus on the adoption of responsible innovation and on equitable access to mortgage

credit. While the private sector has been driving technological innovation, FHFA, the Enterprises and the Federal Home Loan Banks continue to play a key role not only in managing risk, but also in facilitating the availability of and incentivizing the use of responsible innovation that benefits consumers. AFC's principles around responsible innovation includes consumer protection<sup>1</sup>

- *Encourage Bank-Fintech Partnerships: Encouraging* bank-fintech arrangements and bank third-party relationships facilitate the adoption of fintech and innovation. Market competition, federal law and regulations, differing state rules, customer acquisition and servicing costs, pressure on bank net interest margins, technological innovations and customer preferences all put pressure on the economics of providing financial services.<sup>2</sup> Through a bank-fintech partnership, a partnering fintech can leverage its technology platform, customer-reach, application processing, servicing capabilities, and lower costs, to allow the bank to offer products that the bank would not otherwise be able to make as efficiently or at a scalable cost.<sup>3</sup>
- *Third-Party Risk Management Protocols:* In addition to FHFA's Advisory Bulletin to the Enterprises on risks management related to fintech, we believe it is important to acknowledge and dovetail with other significant regulatory guidance governing third party risk management by the banks as well as multiple workstreams across federal agency and voluntary/best-practices and exercises designed to mitigate risk that should also inform this conversation.<sup>4</sup>
- *State Barriers Hinder Adoption:* The state-by-state nature of regulation around fintech often hinders the adoption of new technologies. National or multi-state entities find it difficult to accommodate the complexity of various and sometimes contradictory state rules. FHFA can facilitate adoption by providing mechanisms that help protect entities

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<sup>1</sup> [AFC Principles](#), See

[AFC Letter Support for Reinstatement of HUD's Discriminatory Effects Standard 2021.08.24.pdf](#) (mcusercontent.com); and, [NCRC, Fintechs call on CFPB to clarify applying fair lending rules to artificial intelligence](#) » [NCRC](#)

<sup>2</sup> [Why Bank-Fintech Partnerships Are Here to Stay](#), *BankDirector.com* (August 18, 2017); [81% of banks would collaborate with fintech partners to execute digital transformation, Finextra](#) (October 2019); [Should You Buy, Sell Or Do Neither?](#) *BankDirector.com* (October 23, 2018); [Banks Fintechs Evolving Foe Friend](#), *BankDirector.com* (February 22, 2017) (Working cooperatively with fintech startups...enables smaller banks to tap into revenue that previously would have been inaccessible due to distribution, geographic or technical limitations. Advances like cloud technology, APIs, blockchain, InsurTech, RegTech and partnerships with online lending companies are in focus right now as they offer the most return on investment for all banks, large and small...).

<sup>3</sup> [Community Bank Access to Innovation through Partnerships](#), Board of Governors of the Federal Reserve (September 2021). [Fintech Strategy Roadmap for Community Banks](#), ICBA (March 2018).

<sup>4</sup> See e.g., the White House Office of Science and Technology Policy [Blueprint for an AI Bill of Rights](#), National Institute of Standards and Technology [AI Risk Management Framework](#), Federal Trade Commission, [rulemaking on commercial surveillance and data security](#); U.S. Treasury and G7 cyber and critical infrastructure working groups and exercises.

executing the use of responsible innovation in good faith (e.g., safe harbors), and by initiating or supporting programs to encourage the use of responsible innovation, by providing, as one example, pricing advantages in the purchase of eNotes over paper promissory notes, as an example.

- *Facilitate Standards and Transparency:* The Enterprises play an important standard-setting role across the housing finance ecosystem. Among other activities, in undertaking pilots and selecting vendors, the Enterprises set benchmarks for the market. Providing more transparency around FHFA expectations for the Enterprises in selecting pilots to undertake and the related vendors they select to participate will facilitate clarity and competition.
- *Increasing Data Disclosure:* Increasing the disclosure of records from the National Survey of Mortgage Originations (NSMO) to over 100,000 borrowers and expanding the number of data fields could meaningfully enhance the data resources available to tackle lending fairness. By increasing the size of the data set and expanding the data fields that are released publicly, FHFA could facilitate greater access to credit for underserved borrowers and geographies. NSMO has unique value in that it is the only government mortgage data source that links loan performance with race, sex, and other protected characteristics. Analytics companies could expand their use NSMO to train models to yield fairer lending.
- *Expand allowable sources of data to verify income and employment:* The Enterprises have increased speed and efficiency in the pre-closing process by streamlining and automating the validation of borrower income, assets, and employment through third-party service providers. However, some restrictions on the sources of consumer-permissioned data limit the benefits that can be achieved from these innovations for some borrower segments.
- *More Opportunities for Digitization Across the Mortgage Lifecycle.* Document execution, initiation of payment/disbursement, the notarial process, the consummation/closing process and many other steps in the mortgage lifecycle are limited by the legacy practices of printing documents to paper and gathering various parties to a common physical location to review, agree and execute documents. Today's mortgage process continues to generate hundreds of pages of information on documents that are printed, mailed, signed, notarized, copied, mailed again, bundled, reviewed, stored, and often mailed from there several times before a loan reaches the end of its life. FHFA, through facilitation and support of responsible innovation, has an opportunity to reduce borrower expense, reduce mortgage timelines and increase efficiencies for multiple parties in the mortgage lifecycle by reducing or eliminating the need to print documents and that eliminate the need for borrowers to travel.

- *Research on Emerging Technologies:* FHFA, the Enterprises and the Federal Home Loan Banks have substantial research arms and both independently and in collaboration with outside research organizations can help bridge critical research and data gaps for industry stakeholders around innovations that are best leveraging fintech to lower costs, achieve efficiencies and promote sound governance. Research should also provide evidence if financial technologies enhance equitable access to mortgage credit,<sup>5</sup> mitigate climate impacts<sup>6</sup>, promote affordability and achieve other larger national housing policy objectives.
- *Urge Greater Stakeholder Engagement.* The mortgage and title insurance industries include several trade associations and other organizations that provide education, advocacy, active committees/workgroups, and an amplified voice for various industry stakeholder groups. We urge the Office of Financial Technology to actively participate in these trade associations ensuring that FHFA representatives, along with those from the Enterprises and the Federal Home Loan Banks, join as members of the various committees and workgroups that are actively opining on Fintech, Regtech and Proptech issues and opportunities today.

We look forward to meeting with the new Office of Fintech to discuss these and other issues. If you should have any further questions, then please do not hesitate to contact me at [gerron@fintechcouncil.org](mailto:gerron@fintechcouncil.org) or 301-801-6121.

Sincerely,

/s/Gerron S. Levi

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<sup>5</sup> See e.g. [Racial Equity Accelerator for Homeownership](#), Federal Home Loan Banks of San Francisco and Urban Institute. The Federal Home Loan Bank of New York's [Financial Intelligence Library](#) provides important resources and best practices to simplify the process for community banks digitizing their lending processes.

<sup>6</sup> See industry research on the environmental impact of digital closings (e.g. [Bridgespan's Environmental Impact Study on Notarize](#)).