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May 17, 2023

Federal Housing Finance Agency
Office of Fair Lending Oversight
400 7th St. SW, 9th Floor
Washington, DC 20219

RE: Request for Input on Enterprise Single-Family Social Bond Policy

To Whom It May Concern:

Habitat for Humanity International appreciates the opportunity to comment on FHFA's request for input on Enterprise-labeled single-family social bonds and how these bonds can promote sustainability, affordability and equity in homeownership.

Habitat for Humanity invests in communities nationwide by helping low-income families access and sustain affordable homeownership. Families and individuals in need of a hand up partner with Habitat for Humanity to build or improve a place they can call home. With a national network of over 1,100 local and state affiliates working in all 50 states, Habitat has gained broad perspective on barriers that impede access to affordable and sustainable homeownership for low-income families and households of color.

Our feedback is focused on FHFA's first two questions concerning the outcomes and borrower benefits that FHFA should seek from an Enterprise Single-Family Social Bond program, and how to deploy pay-ups that accrue to the Enterprises to maximize borrower benefit (A-1 and A-2).

We agree with comments shared by Grounded Solutions Network that the GSEs should be required to dedicate any proceeds from pay-ups related to new single-family social bonds into a Homeownership Trust Fund (HOTF) focused primarily on expanding the supply of affordable homes for homeownership accessible to low-income borrowers and people of color. The HOTF should have sufficient flexibility to also address other homeownership-related needs of underserved and disadvantaged communities, as described in the Duty-to-Serve rule. But the majority of dedicated funding should be used to support the creation and preservation of affordable, owner-occupied homes serving underserved borrowers and communities.

The U.S. faces an historically low supply of homes for sale. Shortages are especially acute for homes affordable to modest-income homebuyers. Driving this deficit is a multi-decade decline in the construction of modest-sized, starter homes. As Freddie Mac documented in 2021, entry-level construction of homes smaller than 1,400 square feet fell from 418,000 units per year in the late 1970s to just 55,000 units per year during the 2010s and 65,000 units in 2020. Modest-sized homes, which are typically less expensive, were just 9% of total home construction in 2019, compared to 40% in 1980.

The continuing shortage of affordable, starter homes for low- or moderate-income households presents a fundamental barrier to homeownership in communities across the U.S. Coupled with long-term growth in demand, limited inventory is keeping prices close to their peaks in many markets despite higher interest rates that would normally be expected to bring prices down more significantly. Notably, recent research by Freddie Mac found that unaffordable prices presented a barrier for many mortgage-ready renters even before the recent surge in interest rates, particularly for those with low incomes. (See: *Freddie Mac First-Time Homebuyer Affordability Map, 2022.*)

Access to more affordable mortgage financing will be necessary—but insufficient—for helping a large share of mortgage-ready, lower-income households enter and sustain homeownership. Affordable financing only goes so far when there are limited affordable homes for lower-income homebuyers to borrow against.

Given the limited inventory of existing homes for sale, significant homebuilding at lower price points will be essential for lowering price barriers to affordable and sustainable homeownership for low-income homebuyers and people of color. Support including subsidy assistance will be needed for various types of affordable homes, including shared equity homeownership programs that can produce a permanently affordable stock of homes.

Single-family social bonds present an opportunity to expand liquidity for affordable mortgages for lower-income borrowers. But to ensure this leads to greater access to homeownership for more mortgage-ready borrowers, FHFA should seize the opportunity of pay-ups for these bonds to help address the supply side of the problem by dedicating these funds to the production and preservation of affordable homes for homeownership. This dual approach is needed to lower a critical barrier to homeownership that locks out many lower-income homebuyers and families of color from homeownership and opportunities for building inter-generational wealth.

Thank you for your consideration and for your continuing interest in ensuring that the GSEs provide public benefits through their single-family business.

Sincerely,

A handwritten signature in blue ink that reads "Robert Hickey". The signature is written in a cursive, flowing style.

Robert Hickey
Director, Housing Policy Development and Analysis
Habitat for Humanity International