Title: Endorsement of Social RMBS and Considerations for Thoughtful Implementation

Introduction: At Esusu, a leading financial technology platform that provides rent reporting, property management analytics, and rental assistance, we are keenly focused on the challenges of bridging the racial wealth gap and creating equitable financial access for everyone. We applaud the Federal Housing Finance Agency (FHFA) for exploring opportunities for Government Sponsored Enterprises (GSEs) to promote sustainability, affordability, and equity in homeownership, including by seeking input from stakeholders on developing and issuing social bonds. We endorse the intent and objectives of Social Residential Mortgage-Backed Securities (RMBS), acknowledging the potential meaningful impact they can have promoting underserved borrowers' improved access to credit. However, it is crucial to approach the implementation of any solution thoughtfully. As the leader of an organization that leverages data to improve outcomes for both renters and property owners, I understand firsthand the benefits and drawbacks of reporting sensitive data attributes. In this context, the guiding principles of the Social Index resonate well with the importance of protecting borrower privacy while we seek to design a financial product that will attract investors with an Environment, Social, and Governance (ESG) focus. In short, it is important to emphasize the need to balance opportunities and risks for the entire mortgage ecosystem.

Preserving Borrower Privacy and Mitigating Risks: The Social Index disclosure solution adopted by the GSEs in 2022 effectively achieves its goal of helping investors identify mortgage pools with high concentrations of underserved populations while respecting borrower privacy. We recognize that disclosure of the specific borrower attributes, such as income, race/ethnicity, and specific geographies, may be of interest to investors seeking to derive certain performance insights. I also appreciate that investors are seeking additional data to assess ESG eligibility and address risk management requirements. However, it is crucial to acknowledge that these sensitive data elements pose reputational risks and could potentially compromise all participants in the mortgage ecosystem supporting underserved borrowers. Similar to the Great Financial Crisis (GFC), we do not want institutions betting against families; we need to ensure we balance transparency with prudent risk management while protecting the American people.

Potential Risks of Expanded Disclosures: Revealing detailed borrower data, beyond what the Social Index currently provides, could compromise the privacy and welfare of the borrowers that the GSEs, ESG investors, and Esusu intend to support. Non-public borrower details such as income, race/ethnicity, and the specific geographies where properties are located are highly sensitive information that, if abused, could compromise borrowers and expose industry participants to significant reputational risks and related liability. Has any work been done by FHFA/GSEs to assess the magnitude of publicly available data already being provided to investors, and the marketplace more broadly? Is there any analysis on what the impact of sharing sensitive data elements such as income, or ethnicity, would be to borrowers? What if others were to use the data the GSEs provide with other publicly available information? Who is liable for this reputational responsibility? It is important to understand that once data and disclosures of any kind are made available to the marketplace, they can be accessed by anyone worldwide for any purpose, benevolent or otherwise. Hence, caution must be exercised to protect the privacy and well-being of underserved borrowers.

Positive Market Impact and Performance Insights: Esusu has partnered with both GSEs as part of their credit building and positive rent payment initiatives, recognizing the tremendous value that they bring to the market through their standard-setting and innovation. The Social Index disclosures that they introduced in 2022 are a noteworthy example of their leadership. The GSEs are regularly employing them to provide transparency into the composition of target affordable pools they issue, allowing investors to channel their support to these borrowers. This achievement is noteworthy as it has been accomplished without compromising the borrowers whose loans are included in the scored pools. Several industry research analysts have demonstrated that the performance insights derived from the Social Index alone are sufficient to drive value and support target lending activities.

Recommended Room for Improvement: The Social Index Score could be better. Other target underserved populations could be added as criteria. For example, first-generation homeowners, borrowers with loans originated leveraging non-standard credit insights, such as rental payment history, etc. would all be of interest to investors (and deserving of investor support). Now that the GSEs have proven out a thoughtful solution to the disclosure challenge, the entire industry should be invited to contribute recommendations for potential refinement. FHFA and the GSEs could convene an advisory body with a commitment to openness, collaboration, and continuous improvement when it comes to the Social Index and related Social RMBS issuance. By actively seeking feedback, fostering collaboration among stakeholders, and maintaining transparency and accountability, we can refine the scoring methodology to better serve the needs of underserved borrowers and the mortgage ecosystem. Doing so ensures that the Social Index scores continue to evolve as a valuable tool, supporting targeted lending activities and promoting positive outcomes for all parties involved.

Conclusion: In conclusion, Esusu supports the intent and objectives of Social RMBS, recognizing the potentially substantial impact that the labeling and issuance of these securities can have on attracting capital to support underserved borrowers. However, we would emphasize the importance of implementing the solution thoughtfully to balance opportunities and risks for the entire mortgage ecosystem, which is why the Social Index strikes me as a logical foundation for this label. Based on our experience managing sensitive credit data at Esusu, we would caution against disclosing specific borrower-related data beyond what is currently provided, as this could compromise the privacy and welfare of the borrowers. The successful implementation of the Social Index thus far and the credibility of FHFA and the GSEs in upholding standards demonstrates its efficacy in achieving its goals and should also provide comfort to stakeholders in the value of the label.