

August 14th, 2023

**Federal Housing Finance Agency**

**RE: Notice and Request for Public Comment on Single Family Mortgage Pricing Framework**

Neighborhood Housing Services of Chicago (NHS) is submitting this letter to provide comments and feedback on the notice and request for public comments on the pricing framework for single-family mortgages through Fannie Mae and Freddie Mac.

For 45 years, NHS and its CDFI affiliate, Neighborhood Lending Services (NLS), have been the largest non profit organizations in the Chicago region providing affordable homeownership for low-and moderate income families across Chicago’s communities of color. NLS is a Freddie Mac seller-servicer and has helped thousands of families achieve homeownership with FHFA products, portfolio products, and correspondent lending relationships. NHS is also part of the Homeownership Alliance, a nationwide practitioner-led collaboration that advocates for more resources and better policies to increase affordable homeownership opportunities for American families.

Homeownership is one of the key indicators of household wealth in the United States today. Studies have shown that up to 70% of a family’s net worth is tied to their home. Unfortunately, homeownership rates are highly inequitable - just 44% of Black families and 50% of Latinos own their homes, compared to 72% of white families in the United States. Partly due to these vast disparities, data also shows that the typical Black household has a net worth of just $24,000 and Latino households have an average net worth of $36,000, compared to a staggering $188,000 for White families. Supporting affordable homeownership is critical in our country’s efforts to close the racial wealth gap and address widening racial disparities in housing access in America.

Fannie Mae and Freddie Mac-backed loans represent at least seventy percent of the entire mortgage market in the United States today. This makes the policies, pricing, and procedures around these loans highly impactful to homebuyers across the country. Additionally, Fannie Mae and Freddie Mac have been charged with a Duty to Serve, requiring the facilitation of a secondary market for mortgages to low and moderate-income families. We know that disparities in mortgage lending lie more starkly in racial discrimination than income - data from the Woodstock Institute shows that Black homebuyers are denied in mortgage applications twice as often regardless of their income and financial profile. Therefore, this Duty to Serve must go beyond just a secondary market for low and moderate-income families, but for Black and Brown families to achieve homeownership as well.

To that end, we support recent changes in the FHFA pricing structure to increase loan-level price adjustments (LLPAs) for cash-out refinances and second home mortgages while reducing or eliminating these fees for first-time homebuyers.

LLPAs have a longstanding racist history that makes home buying more expensive for people of color. These adjustments tend to label Black and Brown borrowers as “riskier,” costing them hundreds of additional dollars a month for the same home that a White family may be given the opportunity to purchase for less. Any effort to change these practices to be more equitable is something we wholeheartedly support.

Reducing and eliminating upfront LLPA fees for first-time homebuyers and other utilizing affordable mortgage products will help us further both our own goals of closing the racial homeownership gap and the FHFA’s goals under its Duty to Serve. This is in line with the statutory intent of the FHFA and supports us and our partners in achieving homeownership for our clients.

It is important to remember that practices like LLPAs did not exist in their current form prior to the housing crisis and GSE conservatorship under which we now operate. These practices were created by modern policymakers and can also be changed and modified to correct wrongs and meet newly understood consumer needs. These recent announcements recognize the opportunity the FHFA has to change policies and practices that have been proven to have discriminatory impacts on Black and Brown families across the country. We hope to see additional changes in the same spirit in the coming years.

There could be some unintended consequences on increasing fees for second mortgages, as the policy is likely intended to affect those with the wealth to easily absorb such a change. Second mortgages that utilize CDBG, HOME, or other federal programs to serve low-income homebuyers should be exempted from this policy in order to prevent price increases on those who are least likely to be able to afford it.

Finally, we want to note that transparency in this type of process is essential for both those who may support and oppose the initiative. There appeared to be some public misunderstanding and misinformation around the impact of these changes when they were initially announced. This created a national discussion around homeownership that pitted homebuyers of color and low to moderate-income homebuyers against wealthy White homeowners. Of course, public discourse is not within the control of the FHFA, but a broader public comment process prior to the policy change announcement may have helped to prevent this outcome.

Overall, we are very supportive of the intent and effect of the changes made to upfront fees and loan-level price adjustments that are mentioned in this request for public comment. These types of policies affect our bottom line, our ability to carry out our mission, and the daily lives of our clients. We appreciate the opportunity to share our comments and concerns as we continue to work together to close the racial wealth gap through homeownership.