



February 19, 2016

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 7th Street SW, Eighth Floor
Washington DC, 20219
RE: RIN 2590-AA27- Enterprise Duty to Serve Underserved Markets

Dear Mr. Pollard:

We commend the Federal Housing Finance Agency (FHFA) for issuing its proposed rule regarding the duty of Fannie Mae and Freddie Mac (Enterprises) to serve underserved markets. For over 80 years, the Enterprises have played an important and lasting role in providing housing market liquidity and establishing affordable housing in the purchase and rental markets. As a result of the Enterprises' charters, millions of families have achieved the dream of homeownership. This process has changed communities and built asset wealth where it otherwise might not have existed. The Enterprises have additionally positively impacted the rental housing markets as well, ensuring rental affordability. Unfortunately, due to conservatorship, the Enterprises have not been able to effectively accomplish housing affordability, including in underserved markets, as they once did, and as a result homeownership numbers among vulnerable minority groups have significantly decreased.

The Enterprises' housing goals and duty to serve notwithstanding, it is essential that the Enterprises fulfill their charters and exit conservatorship to significantly improve homeownership in African American and Hispanic communities. According to the U.S. Census Bureau, African Americans had a homeownership rate of 48.2 percent in 2005, which was nearly 1 percent less than its peak in 2004. In the fourth quarter of 2015, the African American homeownership rate was only 41.9 percent, representing a six percent drop. Hispanics ended 2015 with a homeownership rate of 46.7 percent, which represented a decrease from 49.5 percent in 2005.

As a proposed method of increasing homeownership numbers and Enterprise activity in underserved markets, FHFA recommends providing the Enterprises additional duty to serve credit (or extra credit) when they participate in activities that promote residential economic diversity. Specifically, this is in connection with mortgages in areas of high poverty concentration, and high opportunity areas, generally known as those areas with significant asset, commercial and public infrastructure development. We are concerned that although extra credit provides an incentive to participate in the desired activity, the incentive is not sufficient to create the necessary critical mass. To resolve this issue, the Enterprises should be mandated to incorporate residential economic diversity as part of their Underserved Market Plan, and should further be required to encompass outreach and loan purchase plans that include coordination and agreement with state and local governments. This would have the effect of ensuring market development (many units versus a few), particularly when targeting poverty concentration areas. Coordination and agreement with state and local leaders will also have the effect of lowering Enterprise investment risk, and help ensure compliance with the Safety and Soundness Act.



FHFA also seeks to support the small multi-family market. As the agency indicates, these units are sometimes older and more difficult to finance, but also often have lower rent costs. In addition to the credit FHFA proposes for purchasing loans in the market, the agency should also provide extra credit when the Enterprises purchase and securitize loan pools from community financial institutions located in areas high poverty concentration.

We continue to be concerned that conservatorship prevents the Enterprises from fully achieving their public purpose, and increasing homeownership in underserved markets. Mandated goals and Underserved Market Plans, while important strategies, do not replace the effectiveness the Enterprises would achieve outside of conservatorship. Thank you for the opportunity to provide comment on these important issues, as the FHFA seeks to increase homeownership and housing affordability in underserved markets.

Sincerely,

A handwritten signature in black ink that reads "Charles E. Nelson II". The signature is fluid and cursive, with a small flourish at the end.

Charles E. Nelson II
Executive Director / CEO
UBUNTU Center of Chicago
4601 S. Cottage Grove, BOX 5333
Chicago Illinois 60653
773-599-0051
773-701-4296 (fax)
Email: charles@ubuntuchicago.org
Email: Ubuntuchicago@gmail.com